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2011

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**The Evaluation of Contemporary Art with Art Historical and Market
Criteria: The 3C Model**

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Criteria: The 3C Model**

by

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Dissertation

Presented to the Faculty of the Graduate School of

The University of Texas at Austin

in Partial Fulfillment

of the Requirements

for the Degree of

Doctor of Philosophy

The University of Texas at Austin

December 2011

Dedication

This dissertation is dedicated to my mother, Regine Richter, who instilled the love for art in me. Without her love and support none of the experiences leading up to this dissertation would have been possible. Danke!

Acknowledgements

I would like to sincerely thank all the professors on my doctoral committee, especially Drs. Richard Shiff and Stephen Magee, for believing in me, for their valuable academic guidance and for letting me work on this subject. I have learnt a lot from all of you. Thank you!

Thanks to Dr. Catherine Dossin for her inspiration and patience. Merci!

Thanks to Dr. Devrim Ikizler and Eugenia Frese for their help computing the numbers. Teşekkür! Spasiba!

Thanks to all, who have supported me with their knowledge, ideas and help. Thank you!

I owe a particular debt of gratitude to the fellowships and scholarships I was honored to receive and that supported my work at the University of Texas at Austin:

Donald D. Harrington Endowment Fellowships

Fine Arts Dean's Scholarship

Lucas Foundation Scholarships

Mary Miller Bartholow Endowed Presidential Fellowship in Art

Wells Scholarship and Fellowship Endowment

Jacqueline Barnitz Graduate Endowment in Art History

The Evaluation of Contemporary Art with Art Historical and Market Criteria: The 3C Model

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The University of Texas at Austin, 2011

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For the most recent contemporary art no art historical or price records exist that can testify of its value. However, the market for contemporary art is enormous and the art historical interest in it is equally important. If we can find out how to evaluate contemporary art, it will further the art historical understanding, the market transparency and the sales of contemporary art thus having an influence also on the creation of art (William Grampp).

The art historical verdict and the market verdict are linked. This has been proven by a number of economists (Frey, Galenson, Grampp). The question is how they are linked. Basically, both art history and the market contribute to the creation of value in art. What is it that makes art valuable? What are the criteria used in art history and in the market to evaluate art?

The focus is on European and US American art between 1970 and today.

Evaluation, be it aesthetic or financial, is a process of decision making. Decisions are based on criteria that must be conscious at least after the decision is made (Clement Greenberg). In the art world, certain decision makers are more influential than others. Therefore the dissertation analyzes the most influential positions in art theory and in the art market and distills the essential criteria used.

The dissertation seeks to advance the research on this fundamental question of the evaluation of art through a more comprehensive and interdisciplinary study than those previously undertaken. It presents a model that integrates the most important criteria from both sides and allows a more reliable evaluation of contemporary art.

The 3C Model explains the ensemble of Quality-Value-Price through three criteria: Change, Connectivity and Context (Time, Space, People).

The 3C Model can be used as a general basis in the discourse on value and quality. It is a structural method that can be applied to almost any art from any period.

The model is exercised here using Gerhard Richter, François Morellet, Julian Schnabel, Jeff Koons, Sophie Calle and Pipilotti Rist as examples.

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Introduction

“What I plead for is a more abiding awareness of the substance of art as value, and nothing but value, amid all the excavating of it for meanings that have nothing to do with art as art”, says Clement Greenberg in his essay entitled *The Experience of Value*.¹

This dissertation examines how art, in particular contemporary art for which we lack critical distance, historical perspective and price records, can be evaluated both art historically and economically.

Behind the idea of the dissertation is the supposition that the art historical verdict and the market verdict on value are linked, i.e. a work that finds more critical acclaim from the experts is usually valued higher in the market. Yes, there are exceptions but for the most part the relation is so consistent that the exceptions only confirm the rule. This has been proven by a number of economists: Frey, Galenson and Grampp.² If price and quality are related, the criteria determining value are most likely related, too. The next question is how the art historical and market evaluations are linked. Fundamentally, both art history and the market contribute to the creation of value in art. What is it that makes art valuable? What are the criteria used in art history and in the market to evaluate art?

¹ Clement Greenberg, *Homemade Esthetics: Observations on Art and Taste* (New York: Oxford University Press, 2000), 63.

² Bruno Frey, *Arts & Economics: Analysis & Cultural Policy* (Berlin: Springer-Verlag, 2000); David Galenson, "Who Are the Greatest Living Artists? The View from the Auction Market," *National Bureau of Economic Research*, no. Working Paper No. 11664 (2005); William D. Grampp, *Pricing the Priceless: Art, Artists and Economics* (New York: Basic Books, Inc., Publishers, 1989).

The dissertation concentrates on European and North American art between 1970 and today but the proposed solution, the 3C Model, can be applied to any art.

For very recent contemporary art there are no historic records that can testify of its value. Yet the market for contemporary art is huge³ and the art historical interest in it is equally important. If we can find out and explain how to evaluate contemporary art, it will further the art historical understanding, confirm the importance of the discipline of art history as well as increase the market transparency and the sales of contemporary art, thus having an influence also on the creation of art.⁴

Since the art historical and the market appreciation are connected, and in fact interdependent as will be shown, it is best to look at both sides at the same time.

This dissertation seeks to advance the research on this fundamental topic through a more comprehensive and interdisciplinary study than those previously undertaken. At the end, I present a model that integrates the most important criteria from both sides and allows a more reliable evaluation of contemporary art. Moreover, the 3C Model can be used as a general basis in the discourse on value and quality. It is a structural method that can be applied to practically any art from any period.

It is important to understand that the 3C Model is not meant to be a predictive tool for market success. It is much more a matter of retro-engineering, seeing how and why a

³ Turnover of Christie's alone was more than USD 1,000,000,000 on Postwar and Contemporary art in 2010 according to figures published by Christie's. It is important to note that the only reliable figures we have are the auction values, thus figures from the secondary market. It is as good as impossible to get reliable figures with a big enough sample size from the primary, gallery market because those are not public sales and galleries are rather secretive on their sales.

⁴ Grampp, *Pricing the Priceless*; *ibid.*

particular artist or work gets to have this value. The 3C Model seeks to be a standard approach when it comes to evaluating art, both art historically and economically.

As Peter Oberender puts it:

According to the results of the new Institutions economy (Institutionenökonomie) problems in finding information on product quality can be described with the categories of search, experience and confidence goods (Such-, Erfahrungs- und Vertrauensgüter cf. Nelson, P.: Information and Consumer Behavior, in : Journal of Political Economy, Vol. 78 (1970), pp. 311-329). Applied to the art market this categorization means that a quality attribution is possible only through a multitude of components. There will be a diverse situation of buying motives in art acquisitions based on the presumption of a subjective notion of quality, i.e. individual decisions of utility (Nutzenabwägung). These motives (reasons for buying) can be for example of prestige, investment or aesthetic consciousness. The problem of information asymmetry reduces the possibility to gain knowledge about the quality of the artwork. But in turn the appreciation of a work's quality has an influence on the price acceptance of the buyer. Under the presupposition that the demand on the art market is for luxury goods (i.e. goods with price elasticity higher than one) where a mixture of needs is to be satisfied with each single buyer, "reliable" quality information is of decisive importance. Such quality information can constitute a standard.

Using art historic and art experts' classifications, an entire net (grid) of standards can be observed (geographical, technical and characteristics proper to the artwork). This, in communication with other buyers reflects a value appreciation and thus can give an impression of the quality of an artwork. Standards simplify the reception, processing and memorization of information because they give a person a system of relations for classification of these informations.⁵

I researched the writings of philosophers, art historians and critics to see what the preferred argument was. Where do they see value in art? What are the criteria they use? I went from Plato to Dickie⁶ and distilled the essence, trying to find the common

⁵ Peter Oberender and Jürgen Zerth, "Einführung in die Makroökonomie der Kunst unter Berücksichtigung der wachsenden Bedeutung von Informationsmärkten," in *Art-Investor Handbuch für Kunst & Investment*, ed. Lothar Pues, Edgar Quadt, and Rissa (München: Finanzbuchverlag, 2002). Translation is mine.

⁶ His book *Evaluating Art* is especially significant here. George Dickie, *Evaluating Art* (Philadelphia: Temple University Press, 1988); *ibid.*

denominators. In parallel the economic side was considered, checking the current, most relevant economic theories and how they would apply to art, its production and its marketing. I think it is very important and very interesting to look at both fields, asking largely the same questions, because it is here that the cultural and the economic spheres merge.

Chapter 1 is the analysis of the art historical side of the question with a view to the 3C.

Chapter 2 treats the economical side, also as they relate the 3C Model.

In Chapter 3, I take what I have learned from both sides and explain that essentially art history and the market use the same criteria, which is also why value and price are so logically connected. What most people see and are fascinated with is just the seemingly immense price of an artwork. I call this the *Iceberg Symptom*. The price is just the tip of the iceberg; beneath it exists a foundation of reasons which the 3C Model can help to elucidate. This should be just as useful in the classroom when it comes to explaining why a work is so valuable, as in the art market where reasoning for prices is often more in demand than an explanation of the art. Having a method at hand to solve this problem will clear the way to actually see the rest of the iceberg, at the bottom of which lies the quality of the work. In order to come up with a simple and widely applicable model that was flexible enough to cope with an ever-changing context, the criteria had to be fairly broad. However, since they are flexible, one can narrow them down or open them up as each case requires, like focusing a lens.

I thus developed one main model where the ensemble of Quality-Value-Price can be explained by three criteria, the 3C model consisting of: Change, Connectivity and Context. This is explained in detail in chapter 3. Nonetheless, I do explain those terms briefly in the introduction because I then use them to explain how the concepts of art historians/ philosophers and economists actually relate to these three points.

I also defined some corollary concepts such as the *Renewal Dilemma*, the *Anchor Phenomenon*, the *Avalanche Effect* and the *Quality-Value-Price Paradigm* (short QVP Paradigm).

WORKING DEFINITIONS

The following is a brief working definition of these terms as they are used throughout the dissertation.

Quality-Value-Price Paradigm

“The aesthetic value of a good is the result of a judgment of its quality.”⁷

Quality, value and price are three different instances of the same phenomenon. I say phenomenon on purpose because they are usually experienced together to the point where they seem to be virtually the same thing. The terms became conflated but it is important to separate them in order to allow for a concise discussion.

⁷ Xavier Greffe, *Arts and Artists from an Economic Perspective*, trans. Latika Saghal and Xavier Greffe (Paris: UNESCO Editions Economica, 2002), 14.

I define **Quality** as the work inherent properties as given by the artist or whoever thought up and created the work. In most cases these qualities will not change. Red will stay red and a round shape will stay a round shape. The subject matter and form will stay the same. There is also the artist's intent that is at the origin of the work. All of these things are in the work. They can be viewed and interpreted differently but they inevitably constitute the work and they are for the most part inalienable. It is this quality that forms the basis for evaluation. Quality is the potential for value. If the inherent quality is low, the potential for lasting value (or value at all) is low, too.

Value. Throughout 2500 years of western philosophy there is a general consensus that art is in and of itself valuable; it has an intrinsic value as art, even if definitions of art itself vary. Some societies and eras value it more or less than others but, by and large, art is seen as something of positive value in social, moral and economic terms. As is evident from this explanation value is subject to change and is influenced by work external criteria. Value is what happens to the work once it is set free.⁸ It is looked at, criticized, written about, bought and sold. All these actions contribute to the creation and maintenance of value.

The **Price** then is a momentary expression of value and it becomes part of the history of the work and of its evaluation. It is important to note that the price does not only depend on the quality and the value in the art historical sense. It also depends on the

⁸ Setting free means introducing it to the artworld which usually goes along with introducing it to the market.

economic concept of marginal utility value, on things like scarcity and on the general value a given society places on art at a given time.

The link between Quality and Value is in the **Aesthetics**. The aesthetic perception of an art work is universal and inevitable. The relatively new discipline of Neuraesthetics (a combination of neurology and aesthetics) is interested in how the human being is hard-wired to aesthetic impressions. They have shown that a hard-wire effect does indeed exist and that sensual perception does have an influence on the mind and on the body for any healthy human being. At the same time aesthetics are subject to cultural change and context thus their evaluation cannot be entirely universally or objective. Moreover, in the third instance, aesthetic perception and experience are an individual affair. Even within the same time period and cultural context two people may have a different experience of the same art work. Still an evaluation based on aesthetics makes sense because aesthetics are guaranteed to play a role in the experience of the work. Indeed, they are the experience of the work.

The 3C Model Change

Change refers to being different. In order for a thing to even seize our attention it must be different than other things in the same category. This is crucial: no attention, no value. The work must not necessarily be utterly and completely new but it must present a *noticeable* change. The work should also be able to change something in the viewer.

Ordinarily, this happens almost automatically when the work is visually consumed. What enters the eye and gets the attention enters the mind. The Change criterion is also related to Innovation and Invention as will be explained later on. (Attention is of the essence for the experience of art, yet does not actually enter into the experience as an integral rather than a conditioning or preliminary factor.)⁹

Connectivity

Connectivity is closely related to Change but it goes further. Connectivity is the quality in the work (and in the viewer) that permits the two to connect.¹⁰ It is what triggers intellectual, aesthetical or emotional stimulation. Connectivity is like the entry and attachment points. The more entry points and attachments a work offers and the more varied they are, the more interesting (in the literal sense of the word “being in it”) it will be. Connectivity is where the physical, the mental and the cultural factors meet and contribute to the experience which is at the core of the value of art. It is the quality that then allows for value to be built upon it. If the work has only a lesser degree of connectivity its potential for long-lasting value is diminished.

Context

Context is understood as a very practical thing in this dissertation, not as a matter of theoretical discourse seeking to invalidate any claim to objectivity. Context refers

⁹ Greenberg, *Homemade Esthetics*, 16.

¹⁰ Ibid., 18. (He talks about the artist as a transmitter and the viewer as a receptor).

precisely to time, space and people, meaning that a work has to be at the right spot at the right time and be seen by the right people in order to get a chance to even be noticed, let alone evaluated. Context is very significant for the art historical evaluation because it considers things like authenticity, provenance and reception; in short the history of the work. It is equally important for the market because not only are those art historical points an important part of the value-price relation but also because the market has its own context like the state of the economy or which individual in what country has a particularly high willingness and ability to pay.

The Anchor Phenomenon

The Anchor Phenomenon is related to Change and Connectivity. It describes the necessity of having a link, an anchor, to something that is already consciously known – and, ideally, appreciated. One will only notice something if it is different. However, if it is so different that it enters into none of the known categories of appearance or of concepts, it may very well go unnoticed. At least it will not be appreciated highly or even correctly. This is the problem with art that is very much ahead of its own time. At the time of its creation it will seem not particularly valuable because there are no Connectivity points since it looks like nothing ever seen before. Some enlightened spirits will appreciate the avant-garde immediately but the general public will take longer.¹¹

¹¹ See Kandinsky's explanation of the development of art and appreciation of art as a pyramid in Wassily Kandinsky, *Concerning the Spiritual in Art*, trans. Michael Sadleir, et al. (New York: Wittenborn Schulz, 1947).

The Avalanche Effect

This effect is a snowball effect related to Connectivity. If we imagine the Connectivity points like friction points in an avalanche, pine trees and rocks for instance, it is clear that the avalanche that has more friction points will build faster and bigger. It will take on more and more additional friction points leading to even more acceleration and momentum. This is comparable to the building of aura and of value in an artwork. The work that has more Connectivity has more potential to become really “big”. Art historians would speak of a “watershed moment”, a “pivotal” or a “seminal” work. Clearly, these terms are reserved for the works of the highest quality and of the highest connectivity,

The Renewal Dilemma

This term describes the dilemma faced by commercially and art historically successful artists. Once a certain style finds commercial and critical acclaim the artist is holed in. Renewing oneself artistically becomes a risky proposition. After all, being a very successful painter is almost like a license to print money. In addition, artists, like any other human being, tend to prefer hearing praise rather than scathing criticism of how the new work is not as good as the previous work and the artist seems to be losing it. On the other hand, the artist would probably like to try something new; as it would seem that this is in the definition of a creative person. The market also requires new input to keep turning and the society evolves as does the art. It is evident how closely this relates to the Change and Context criteria.

The Four Poles

Value is created by making decisions. Decisions are made out of economic necessity.

An artist can only produce a limited number of works, an art historian can only look at and write about a limited number of works, a dealer and a collector can only sell and buy a limited number of works. There are financial, time and space constraints of an economic order. Hence priority decisions must be made. Once decisions are made, they can be traced and objectified. They become part of the work's (hi)story and possibly of its aura. What they will certainly do is influence the work's value. Most scholars agree that there are four groups of people that have a bearing on the value of art. Essentially, they are the four poles of the art world.

The four poles are represented in the diagram below with their functions and a letter to facilitate future reference.

Reference letter	Pole	Field
A	Artist and creation of work	Artwork or body of work
B	Buyer/Seller: Individual or Institution	Market
C	Scholar: art historian / curator	Art History, Museums
D	Media/Critic	Reception and distribution of value and aesthetic judgment through media

Table 1: Four Poles

I propose to visualize the constellation of the four poles as a triangular base pyramid, a *tetrahedron* (Greek: four-sided) having congruent, equilateral triangles for each of its four sides.¹² This model is very well suited because in its basic configuration all sides and distances are equal and the form of it does not change no matter which pole is on top or which three poles form the basis. This is until the criteria of one pole begin to weigh more than the criteria of another pole. It is thus more apt to represent the power relations than a sequential, linear model would be as they were conceived in the past. Such a three-dimensional model of the artworld has to my knowledge not been devised before. I therefore propose to call this model of the artworld the Richter Pyramid.¹³

The decision process itself can also be regarded as a triangular pyramid. In order to make a decision, various factors or criteria must be applied to the work. In this case, the work *per se* (be it an individual piece or a body of work) is at the vertex. The three other fields are art history, market and media/criticism. Each of the four poles (A, B, C, D) in the art world will be more or less concerned by each of the three others to make a decision.

Following are two examples to illustrate the point.

Firstly, the artist. The artist is usually influenced by art historic precedents whether s/he builds on them or goes against them. His/her esthetic perception of the world will be decisive in how the work looks like. Of course, the aesthetic perception will be influenced by –among other factors- his art historical knowledge and her knowledge of what is already on the market.

¹² NB: not the standard five-sided pyramid standing on a square base.

¹³ It will be an interesting project for the future to quantify the influence of each pole and thus calculate a tetrahedron shape that shows how closely the poles are related and which three poles will form the basis of the pyramid.

Secondly, the scholar. S/he is very knowledgeable in art history since this is his/her supposed field. The scholar can analyze, categorize and explain according to art historic methods and in front of an art historic background. His/her aesthetic perception might be even more influenced by art history than that of the artist but also by personal taste. One might argue that the art historian is less influenced by the market. Yet one must consider that only those works that make it onto the market or into the museums even solicit the contemporary art historian's attention unless she scouts out artist studios on her own. But even that is difficult without knowing the market.

It is thus clear that only an interdisciplinary approach will do justice to this imminently art historic question of how decisions are made that influence the value of contemporary art and therefore its recognition and ultimately what will become art history and what will command high prices.

I. Chapter 1: Quality and Value Defined: A literary review of art historical and aesthetic definitions

I.1 INTRODUCTION

In order to understand how the system of art evaluation works, it is useful to look at historic and current approaches to the big notions of quality, value, and price. In this dissertation, value is not defined as direct monetary value. That would be the price. Value is the central term in the quality-value-price system. Value is defined as the potential for a certain price. Quality, inherent and attributed to the work, is one of the factors that influence value. While value is the potential for price, quality is the potential for value. A work can be tremendously valuable, art historically speaking, and still fail to fetch a tremendous price at a certain time. A re-evaluation of an artwork is always a possibility and usually does have an influence on the price; Van Gogh being the most popular example. Usually, however, the value and price relation is proportional in itself, i.e. a work regarded as more valuable at a given time will fetch a higher price. It is important to note that the inverse is not necessarily true. A high price does not necessarily indicate a high art historical value. What is it that makes a work valuable and what is it that makes art valuable art historically and ultimately also influences the price? Inherent quality is one factor. Exterior factors that are not intrinsic to art, in general, or inherent to the work, in particular, can also play a role; the current and historic scholarly evaluation of the work being among the most important of these exterior factors. The following will

provide a literary overview and explanation of the concepts of quality, value, and price in as far as they informed the shaping of the 3C Model.

The quality of art, most elusive of all definitions, is so closely related to value that it is almost inseparable. The fact that a distinction between quality and value is so difficult shows just how connected the two are. To differentiate between quality and value it is a good idea to imagine the quality as a more work inherent base factor, and the value as a co-efficient more open to outside influence that brings us closer to the price result. A “more open co-efficient” means that more than just quality influences value and that value can change while the work’s inherent quality stays the same. An art historical evaluation is usually a judgment of quality.¹⁴ This evaluation can change over time and the price will normally reflect that change. Value is increased or diminished when the work is instrumentalized by the exterior world. The value and the criteria for evaluation are closely related to the third C, Context. So is the price. Quality, however, is related more closely to the first two Cs, Change and Connectivity. Hence, we will see in the literature that the discussion about quality can hardly be made without considering the notion of value. In the same sense, it is difficult to separate art historical, aesthetic, and market criteria in the discussion of quality and value because they are all connected through the three Cs.

¹⁴ Greenberg, *Homemade Esthetics*, 59.

In the relation of Quality-Value-Price value is the central point. The other two points hinge on value. The first and second chapter of the dissertation will thus explain how quality and value are seen from a philosophical and art historical standpoint, and respectively how value and price are related from the economical and market standpoint.

I.2 Plato (429 – 327 BC, Greece)

Plato is used as the entry point because his theories of art have influenced the Western definition and understanding of art to a great degree and throughout the centuries. Three concepts in Plato's writings have an impact on the discussion of quality in art. First, Plato links art to beauty and beauty to goodness. Second, even though only through mimesis, art is supposed to bring us closer to truth. Third, the artists that bring out more truth in their art are presumed to be divinely inspired.

One of the main tenants in the *Republic* and the *Symposium* is the idealist notion of beauty where beauty is an essence that can be only imitated and approximated by art, but never reached. What Plato points out in the *Republic* is that since art imitates physical things, and physical things imitate "Forms" (ideal notions), art is a copy of a copy and thus two steps away from truth. However, Plato thinks that art has the power to stir emotions. He considered it dangerous and said it must be controlled because it can influence the development of the citizen in a good or a bad way.

Ideal beauty and the concept of beauty and good (*kalos kai agathos*) are also present in Plato's *Republic* and he relates the good to the harmonious, based on the theories of

Pythagoras. The influence of the golden section and the Fibonacci series on our perception of beauty has been proven over and over in the twentieth century and has been known or at least appreciated and practiced since classical Greece. Following Plato's argument, it becomes possible to relate formal qualities to an aesthetic perception that triggers a greater aesthetic or even emotional or intellectual response to an artwork than either to another artwork or to another object. As a consequence, the level of response is a possible measure of quality. Moreover, the formal characteristics inherent in the work that trigger that response can be related to the level of the response. So the degree of aesthetic interest has been a measure of quality at least since Plato.

In *Ion* and *Symposium* Plato concedes that, maybe through divine inspiration, the artist can make a better copy of the True than what might be found in ordinary experience. He thus implies a measure for quality, when he separates art from the ordinary experience by how much closer to Truth it is. In the same sense, this can be used to determine quality differences among art works. The work that stirs more emotion or the work that brings us closer to the essence would be the work of higher quality. The separation of an artistic or aesthetic experience from an ordinary, quotidian experience implies different values based on aesthetic quality. It follows that art has an inherent quality making it more valuable than the everyday experience because it has the power of bringing us closer to the truth. This connection of quality and value is fundamental for how the Western world has defined art, as being different from nature and everyday experience, and has based the inherent value of art precisely on it being different. Change and Connectivity are the

prevalent criteria here. Change from the ordinary experience and Connectivity that allows that change to happen.

The idea of art capturing an essence, and of the artist as a revealer of said essence, has permeated Western art and our understanding and reading of it to this day. Also the notion of “inspiration” and “genius” goes back at least to Socrates and Plato. The divine, i.e. inexplicable side of inspiration and genius is expressed in the etymology of these words, *spiritus* and *genius* (a *daimon*) both going back to immaterial, divine origins.

As a result, already in Plato’s theory, we find the roots of properties that are commonly used to define art and that are also used as categories of evaluation; namely, representational properties (how well something is rendered), expressive properties, and formal properties. Note that all of these properties lie in the work itself for Plato. Of course, these properties alone do not make an artwork but the combined presence and level of these properties can be taken to influence the degree of quality.¹⁵

¹⁵ References used:

Jean-Luc Chalumeau, *Les théories de l'art : Philosophie, critique et histoire de l'art de Platon à nos jours* (Paris: Vuibert, 2002); Stephen Davies, *The Philosophy of Art* (Oxford: Blackwell Publishing Ltd, 2006); Chris Murray, ed. *Key Writers on Art: From Antiquity to the Nineteenth Century* (New York: Routledge, 2003).

I.3 Aristotle (384 – 322 BC, Greece)

Aristotle's basic view of art is the same as Plato's with art imitating nature but without debasing art as a second or even third degree re-iteration of an all-important truth or form. Instead, Aristotle admits that art can even outdo nature, though it should still be based in the search for truth. Aristotle's theory on art is important because it is explicitly evaluative and trying to classify art, particularly drama with the standard of having a unity of action, character and time/space. He gives criteria for how it should be done, qualitative criteria. The basic problem with his theory is that he does not even try to define art, other than saying that art is imitation and a productive science; the notion of *tekne*. This means that there would not be a hierarchical difference between a piece of clothing and the painting of a bird. However, it must be considered that Aristotle speaks primarily about music, poetry, dance, and drama as arts, the differentiation to applied arts being implicit in their omission.

The second important feature is that while he hardly specifies sculpture or painting, he still states that the merit or quality of the art is the result of the quality of the object. Since this would be cyclical logic, it only makes sense if it is stipulated that the intent and process of the art are the actual art. The object is the result of the intent and process: the art work. Moreover, there would be no art without an object. Interestingly, he judges the quality of the art by the outcome; it is an object-based quality assessment. This puts us at the crossroads of the notion where the quality of art, or indeed the question whether the object is art at all, is judged either by the intention of the maker or by the pure result as

visible in the object. Where Plato sees the idea behind it as more important, Aristotle sees the outcome of the idea as more important. Naturally, Aristotle's viewpoint is at the basis of many formalist and positivist's approaches to art.

The quality of art, as determined by the final product, is judged by how well it links the viewer back to what it tries to imitate. The value of art consists in the fact that art can make us learn about life because we learn by imitation and by the idea that learning is inherently pleasurable. Like Plato he says that art is able to arouse the viewer.

"Learning...is the greatest of pleasures not only to the philosopher but also to the rest of mankind..." "A tragedy ... is an imitation not only of a complete action, but also of incidents arousing pity and fear."¹⁶

Thus "Aristotle says that good art is positive, constructive, and should play an important role in social life."¹⁷ There is an idea of catharsis adding value to art which Aristotle briefly points out but doesn't elaborate in *Poetics*. On the opposite end of the spectrum, and after a long philosophical evolution, but touching the societal element of Aristotle and Plato is Herbert Marcuse's view that "great art is negative, destructive, irrational and, therefore, a valuable element in human life."¹⁸

All three philosophers, though more than two thousand years apart, confirm that art is inherently valuable because it can have an influence on human life.

¹⁶ Jonathan Barnes, ed. *The complete works of Aristotle : the revised Oxford translation* (Princeton: Princeton University Press, 1984), 1452a.

¹⁷ Robert Paul Wolff, *About Philosophy* (Upper Saddle River, NJ: Prentice Hall, 2005), 374.

¹⁸ Ibid.

From Aristotle's epistemology here are some of the basic points that can help to determine the quality and value—and ultimately—the price of art. Aristotle asked for the causes of change and identified them as the following four causes:

a.) the material cause: the matter out of which a thing is made (clay is the material cause of a bowl);

b.) the formal cause: the pattern, model, or structure upon which a thing is made (the formal cause of a bowl is "bowl-shaped"; the formal cause of a human is "human-shaped");

c.) the efficient cause: the means or agency by which a thing comes into existence (a potter is the efficient cause of a bowl);

d.) the final (in Greek, *telos*) cause: the goal or purpose of a thing, its function or potential (holding cereal and milk is the final cause of a bowl).

The final cause is the most unscientific, but is definitely the most important cause as far as Aristotle is concerned. Aristotle's analysis of phenomenon and change, then, is fundamentally teleological.

The four causes have a direct bearing on Change, Connectivity and Context as demonstrated in the third chapter.

So while the view on art has obviously changed in the more than 2300 years between Plato and Marcuse, the societal impact and the emphasis on the fact that art can stimulate emotional and intellectual experiences and is therefore valuable are still common points.

Lastly, what might be most important is the Aristotelian approach of a classification of knowledge by empirical means in order to understand the world at a fundamental

level. Through inductive reasoning I aimed to find an underlying system by looking at what philosophers, critics, artists, and others in the art world have said about quality, value, and price of art and by looking at certain examples that are either in line with the consensus or prove the rule by being an exception to it. As with Aristotle's levels of certainty, this dissertation does not pretend to be the ultimate method of art evaluation in art historical or market terms. Instead it proposes a model for explaining the degree of value in those terms through three main criteria. This is to be understood as an analytical tool, *a posteriori*, and not as an instrument of price prediction or future art historic appreciation. Even if the same inductive reasoning seems tempting to make a prognosis, this would be outside the realm of art history. Obviously, the underlying question with Aristotle and Plato is how one can be certain of anything in a world that changes constantly – a question at the basis of deconstruction. Thus the results of an evaluation might change, and even the methods of evaluation might change. But as this dissertation will show, there are some basic and common traits of evaluative methods in art history and in the market that continue throughout the Western history. Thus while the proposed model is certainly neither definitive nor completely universal, it will hopefully prove itself to be equitable, when the entire situation (or as much as possible) of an art work is considered for its evaluation according to the 3C model.¹⁹

¹⁹ References used:

Chalumeau, *Théories de l'art* ; Murray, ed. *Key Writers on Art: From Antiquity to the Nineteenth Century*; Christopher Shields, "Aristotle," in *The Stanford Encyclopedia of Philosophy*, ed. Edward N. Zalta (Fall 2011); Wolff, *About Philosophy*; Richard A. Goldthwaite, *The Economy of Renaissance Florence* (Baltimore: Johns Hopkins University Press, 2009).

I.4 Giorgio Vasari (1511 – 1574, Italy)

The role of Giorgio Vasari for the evaluation of art cannot be overstated. Vasari stands for a critical approach to art history that not only compiles facts and searches through annals but also attempts to evaluate the recent and past movements, styles, and artists. Thus Vasari, as a founding father of art history, is clearly not only a collector of historical facts but a critical evaluator. While his accounts and verdicts are far from being objective, he presents his judgment with confidence to the point where it is clear that his verdict has a rather absolute character to it. Indeed, to this time his evaluation has influenced our evaluation of the Renaissance artists. Even though, he concedes that “perfection” in art can be found and lost through the ages or even within the lifetime and work of a single artist. He also states that while the Italian art of his time is superior to the previous Gothic art, the Greek art of antiquity was also superior to Gothic art. He thus looks at epochs from a quasi-omniscient perspective and does compare them in a non-linear order, thereby setting a parallel between Greek antiquity and Italian art. He does so not only formally but in terms of an evaluation. Again the quality of form and the quality of the art are connected. In the same vein, he says that while Donatello was included in Vasari’s second developmental order *augumento* (*primi lumi, aumento, perfezione*), his achievement was one of perfection. Clearly, art historical development, even in Vasari’s view, is not forcibly a linear progression from lesser quality to perfection. Or else Gothic art should have been better than Greek art and Donatello would not be in the *augumento* category.

At the same time, there was an absolute criterion for him. In accordance with late Neo-Platonist views of the time, imitation of nature was a valuable point for him. The “perfetta regola” was in how far a work came close to the ideals of antiquity in terms of proportion, imitation of nature and thus beauty.

Vasari was one of the first to present a succinct list of criteria for the evaluation of good art, painting in particular, that touched on matters of technique, style, beauty, achievement of an artistic goal, and even on the life of the artist and the context of the work, as in the standards of the time which he calls “la qualita de’ tempi.” The criteria are *Disegno*, *Natura*, *Grazia*, *Decoro* and *Maniera*. *Invenzione* is not part of these five criteria but can be considered as equally important and perhaps decisive when one takes into account how he describes that Raphael could not outdo Michelangelo on *Disegno* but he did on *Invenzione*. Interestingly, his definition is very much like the definition that differentiates between invention and innovation in economic terms.²⁰

His formal criteria are at least in part derived from architecture and then applied to the other two arts. He speaks of “regola, ordine, misura.” This relates directly to the ideal of nature and the proportional relations that can be found in nature. It is common knowledge and has been scientifically proven that arrangements following the golden section or the Fibonacci series are most often more aesthetically pleasing than arrangements not following those rules. Much work is done on our perception of beauty by neuroscientists and psychologists. The order and symmetry criteria come up again and

²⁰ See Chapter 3 on Change

again in their findings. However, Vasari posits that beauty is literally in the eye of the beholder that has the final judgment, the “giudizio dell’occhio”, especially when he talks about how Michelangelo’s architecture for the new sacristy of S. Lorenzo is deviating from ordinary proportions and still pleasing to the eye.

He lays out the technical basis in the introduction to the three arts. The idea of skill is important to him and we can see this point being a formidably contentious argument to this day. Vasari, a painter himself, thinks that the achievement of the artist cannot be correctly appreciated without knowing about the technical side of the creation process. The fact that he gives an important space to this matter in the introduction shows how seriously he took the skill that has become perfected to be art. We can also see the evolution from art as *tekne* (a craft skill) to art as a product of skill but which transcends crafts.

Moreover, already Vasari was very conscious of economic and societal effects on the production of art as a whole, and it is clear that he sees the importance and the responsibility of patrons:

...in our age greater and much better works would be achieved than in antiquity, if the endeavors of artists were granted their just reward. But the fact that the masters of art have to struggle more to escape hunger than to achieve fame, this fact oppresses their spirits and deprives them (Shame and disgrace on those who could help but do not care!) of the opportunity to make themselves known.²¹

²¹ Patricia Lee Rubin, *Giorgio Vasari: Art and History* (New Haven: Yale University Press, 1995).

He also uses the Italian term for competition “concorrenza” in an economic sense, when he explains that the artists of Florence are so good in part because they have a competition between them for commissions. This can help to explain the reason why art flourishes in large and rich cities. On one hand there are the resources needed and the buyers to make the production of art worthwhile. On the other hand competition and resources are still limited because they are shared by many artists who choose to work there because the resources are there. Competition for resources through increase in the quality of the product is the logical result. Finally, this speaks for the importance of Change as in “being different” and having a unique selling proposition as will be explained in Chapter 3.

Thus Vasari gives us clear indications of criteria to judge quality and value. He even stipulates that things should be judged in their context, because taste and criteria can change over time as much as technical skill can change - a surprisingly modern view that is still shared by many today.²²

²² References used:

Chalumeau, *Théories de l'art* ; Davies, *Philosophy of Art*; Murray, ed. *Key Writers on Art: From Antiquity to the Nineteenth Century*; Rubin, *Giorgio Vasari: Art and History*; Roland Le Mollé, *Georges Vasari et le vocabulaire de la critique d'art dans les 'Vite'* (Grenoble: Ellug, 1988).

I.5 Immanuel Kant (1724 – 1804, Germany)

Immanuel Kant's work on aesthetic philosophy and art is of particular interest to the evaluation of art because he discusses at length the idea that an objective evaluation is possible, notably based purely on formal criteria. On the other hand, he stipulates that the judgment of art is also subjective depending on the one who judges as much as on the object to be judged.

His stance can be characterized as phenomenological for it is based on how art is created and perceived. At the same time it can be characterized as teleological for it is also based on the purposive quality of art.²³

Taste for Kant is the capacity of judging. But taste is first of all the physical experience of form, it is perception without criticism. It is Connectivity on a physical, aesthetical level. Judgment and evaluation come later. For Kant, as opposed to Plato, the duty of a work is not to 'well represent' a 'good idea' but to unknowingly create a never seen before work that is on top of that endowed with signification for all humans. It is not unlikely that Kandinsky's criterion of "essential to all human beings"²⁴ is directly derived from this. However, I did not find a concrete statement on this from Kandinsky. Not unlike Plato, Kant says that the purposiveness of the form is what gives it its quality, in that there are forms that can trigger the free play of imagination and understanding. The pleasure thusly experienced is the authentic aesthetic response. He posits a direct link between forms, their perception and pleasure. This may help to understand what can be called the inherent value of art. The teleological character of art and its relevance to the

²³ See Plato who also had a teleological view of art.

²⁴ Kandinsky, *Concerning the Spiritual in Art*; *ibid.*

judgment of its quality are nonetheless given. Pleasure being perceived as a positive quality in and of itself is crucial for the understanding of art as a valuable good. Art has the quality that it can trigger pleasure, when Connectivity is given. This then constitutes value. Of course, it is just one of the factors and one cannot say that where there is no pleasure, there is no quality and no value.

Art, according to Kant, must be “recognized to be art and not nature,” yet it should not be contrived or artificial but possess a natural free flowing character. He further admits that the better artwork will have a connection between form and content that expresses “aesthetic ideas.” The aesthetic ideas are a result of genius and give the work “soul” or “spirit.” In these instances art might draw on nature but the artist’s intent must be to surpass nature, which can be linked to Aristotle. The idea of surpassing or transcending is directly linked to the concept of Change. It is the change, the perceptible difference between nature and art, as well as the Change through transcendence of nature in art that differentiates the two and gives value to art. In addition, role of the human being as creator and consumer is emphasized.

Kant separates formal considerations from cognitive and emotional considerations in art and nature. A flower and an arabesque are perceived and judged as beautiful for their formal characters without cognitive or emotional factors needing to be involved. Yet in how far can we separate formal perception and appreciation from intellectual cognition/understanding and emotional impression or effect? The trias

form/content/context appears to have an equivalent in the trias perception/cognition/emotion. The former is on the work side, the latter on the human spectator side. It would seem that the more each of these fields is developed and the more they are coherent within each trias and among both groups, the better the art work. Thus an interpretation and evaluation of a work not only depends of course on what is in the work, but also on what the viewer can bring to the work. That would mean that there is perhaps no absolute universality but that there are artworks which can be interpreted and approached on more levels than others and that therefore speak more intensely to more people. These artworks would then be of higher value according to Kant because of their connection of form and content and their ability to connect to the viewer and procure pleasure. At least they would trigger more response and more desire and thus possibly higher prices from an economical standpoint. This shows how and how much the art historical and the economical evaluations are interrelated.

In terms of disinterested judgment, the universally valid one, the design (form) is essential for Kant. And—just like Roger Fry would later say—it is the “fundamental prerequisite for taste” because it is the design that triggers the aesthetic experience. The design is basically how forms and colors are disposed in space. When Clive Bell says that attention to matters of meaning and representation may distract from the aesthetic enjoyment, we can find that already in Kant. Kant is, as it were, formalist before the time.

Aesthetic consciousness has universal validity, even though one could presume that not all people are equally conscious. But aesthetic judgment is subjective because it is

different from cognitive judgment; it comes out of pleasure. Pleasure is immediate because it comes directly out of form. Since judgment, according to Kant, comes later, the judgment is already tainted, as it were, by pleasure. However, one must reckon with a superior kind of beauty that serves no determinate end but has the power to trigger an authentic aesthetic response by activating the free play of imagination and understanding. This beauty is distinguished by a formal coherence. The “free play” of understanding and imagination in the perception of art causes a satisfaction. The satisfaction can be taken as an instance of quality and its intensity and longevity as a degree of quality.

What is significant in his position is that he gives beauty a certain autonomy and this autonomy comes through form not through content or moral virtue displayed. So it is formal beauty in itself that has a value. He creates autonomous realities that are opposed to the classical view of art as imitation and can be seen as the basis for modern art.

In essence, through aesthetic experience we can make contact or have faith in the Supreme Being through the presentiment of the sublime.²⁵ This is what makes the aesthetic experience in itself valuable without any other interest involved and this is the quality that makes art valuable.

That leads to the fundamental questions of what the purpose of art is, whether art is connected to positive moral standards, and whether they should have an impact on value. At least in the Western system and I would dare to say in all systems, this question is

²⁵ "Aesthetics," *Encyclopedia Britannica Online*(2011),
<http://www.britannica.com/EBchecked/topic/7484/aesthetics>.

usually answered positively and affirmatively. Some forms of art or subject matter might have been regarded as bad in certain historic contexts usually related to religion or social doctrine. Yet the predominant idea is that art is rather something good than something bad. The next question would be: Are moral conventions the same as taste conventions?²⁶ If moral conventions serve the purpose to make life easier (survival and sustainability), then what is the purpose of aesthetic conventions? In my view, aesthetic conventions facilitate the judgment and thus the pleasure derived from art thereby increasing its value. It is critical to note that conventions are created partly deliberately, partly by chance but that there is always the guiding principle of benefit maximization behind it. So at least the structure and purpose of moral conventions are similar to those of aesthetic conventions.

In terms of evaluation it is a circular system. Only if there is a recognized standard of aesthetic conventions is it possible to evaluate art against that standard and to attribute value by the degree to which the art is in line with the convention or even is as strong as to change the convention, which relates to Change as a quality criterion. Also related to conventions, Connectivity can thus be understood as the quality of art that makes us perceive the adherence or deviation from the convention. It is also clear that the fact that art can trigger an experience in the viewer is admitted to be a general and inherent quality of art. Hence the Connectivity of art is an important quality criterion. Change and Connectivity can both be found as concepts in Kant's theories.

²⁶ On conventions of taste see also Pierre Bourdieu, *La distinction : critique sociale du jugement* (Paris: Editions du Minuit, 1979); Gary S. Becker, *Accounting for Tastes* (Cambridge: Harvard University Press, 1998).

The biggest criticism one could wield against Kant in regards to the judgment of artworks is that, being confined to Königsberg for his entire life, he did not really have much direct experience with works of art to substantiate his own theories. On the other hand, this could be said to be an advantage for his reflections are largely disinterested thus positively more objective. The other problem is that not all human beings are endowed with the same capacity to appreciate art and that this capacity can only be acquired through learning and cognitive process to a certain degree. He seems to contradict himself on that point when he assumes that capacity for taste, i.e. aesthetic judgment is equal in all people and then posits that ultimately the best art is that which expresses an aesthetic idea through aesthetic form and where the genius (the creative source) gives soul or spirit to an artwork that can be fully appreciated, but not fully analyzed and linguistically rendered. If it cannot be fully analyzed and linguistically rendered it is at least difficult to pass on the knowledge of the method of appreciation. This conclusion also largely derails the train of thought of those insisting on applying the theories of Foucault and Derrida.²⁷

²⁷ References used:

Chalumeau, *Théories de l'art* ; Davies, *Philosophy of Art*; Murray, ed. *Key Writers on Art: From Antiquity to the Nineteenth Century*; Wolff, *About Philosophy*; Patrick Gardiner, "Kant," in *The Dictionary of Art*, ed. Jane Turner (New York: Grove, 1996); Immanuel Kant, *Critique of Judgment*, trans. James Creed Meredith and Nicholas Walker (Oxford: Oxford University Press, 2007); Donald Preziosi, ed. *The Art of Art History: A Critical Anthology* (Oxford: Oxford University Press, 1998).

I.6 Parenthesis on Michel Foucault (1926 -1984, France) and Jacques Derrida (1930 – 2004, France)

After seeing Kant's arguments and structured view of knowledge and judgment, it becomes clear that Foucault and Derrida are not very helpful if one tries to critically judge value. We do learn from them that things might be more of a moving target than one would like to think—not exactly a new idea in itself. We also learn that the evaluation of art, in fact the way we look at art, does not only depend on art historians, but also on other experts in the large field of cultural production and analysis, such as philosophy, literary science, or semantics. This is good to consider in order to paint a more complete picture of the mechanism of cultural value creation. But overall their arguments cancel themselves out, particularly Derrida's, because if nothing is firm, nothing is objective, and nothing is immutable, then their "philosophy" itself becomes just a fleeting thought in history. Pursuing their ideas to the full extent would mean to negate a notion of judgment in the first place and, by consequence, to refuse the concept of value altogether, since value depends on judgment and judgment depends on a separation of levels in a vertical sense. If levels cannot be separated through judgment and nothing can be discerned with clarity then there is no validity and thus no value – to basically anything.

For Foucault, a thing does not define itself but is defined by the discourses and practices around it. This only works if art and life are separate, but since art is part of life and thus, part of the discourse and the practice, art itself has a decisive power over its judgment and does not merely come into being because it is discussed. Thus the power of

art to trigger a judgment about its quality becomes a rather stable factor to the degree that it could actually be seen as one of the qualities in a work. At around the same time, Greenberg postulates in *Homemade Esthetics* that looking at art automatically entails a judgment of quality. That said Foucault's observation, description and analysis of *Las Meninas* make us understand that quality in art resides first and foremost in the experience of the art and only later in the verbal *compte-rendu* of that experience.

"It is in vain that we say what we see; what we see never resides in what we say."

And, "From the eyes of the painter to what he is observing there runs a compelling line that we, the onlookers, have no power of evading: it runs through the real picture and emerges from its surface to join the place from which we see the painter observing us; this dotted line reaches to us ineluctably, and links us to the representation of the picture."²⁸

He is indeed quite close to Kant in the idea that a picture cannot linguistically be rendered in its integrity. At least Foucault provides some consolation to art historians for their insufficiency in analyzing art since they can only do it with words. The judgment of visual art and music through words, as well as linguistic or semantic methods, is thus even more difficult and much more inadequate than the judgment of thought and literature through words, which are not inherent to visual art and music but to thought and

²⁸ Michel Foucault, *Les mots et les choses : une archéologie des sciences humaines* (Paris: Gallimard, 1990).

literature. It is only fair to critically ask whether literary or semantic methodologies can be transposed to the evaluation or criticism of art on a 1:1 scale.

Derrida goes one step further basically saying that everything is context dependent and each point raises a new question and the points are constantly shifting. There are no absolute truths and no definite meanings. Thus a conclusive verdict, aesthetic or otherwise, becomes impossible. This has at least some merit because it reminds us that an absolute verdict might not be possible. However, a verdict limited to a certain chronological and geographical domain (Time and Space as basis of our thinking and understanding, indeed of our physical being) might well be justifiable and possible. The pure fact that there is a commonly accepted, yet often disputed—for the sake of intellectual exercise or personal gain—canon of art history, shows that there is a structure that defies deconstruction into individual strands of validity and value. This relationship is also mirrored by the Western art market that has been surprisingly stable in the evaluation of the top artists over the last thirty to forty year period we are looking at here.

Derrida would ask a countless questions *around* the work in order to show the gaps in our theories of interpretations. The more questions the less conclusive the answer will be. Critical judgment is thus practically excluded. Behind this is Kant who says that the *noumenon* (Ding an sich) is an indescribable, unknowable reality that lies beyond observed phenomena. The inalienable feature of visual art is that the senses are forcibly involved and are at the basis of thought, so one cannot exclude them from the critical or analytical process.

Deconstruction is more concerned with the effect of the work of art and its ability to generate chains of reasoning in the viewer, than the work of art in itself. Derrida's response to art is anti-explanatory and, if pushed to the bitter end, nihilistic. Be that as it may, we encounter yet again the idea that art is able to create reasoning and that it connects to the viewer. So even if Derrida and Foucault are not very helpful for those seeking efficient evaluations, they are still confirming the points of Connectivity (if it does not connect, it cannot make a change in thought), Change and Context (the dependence on time, space and individuals in a historic as well as semantic context).²⁹

I.7 G.W.F Hegel (1770 – 1831, Germany)

Hegel's approach to art seems to be a precursor of the structuralist approach. He divided art into the three categories of symbolic, classical, and romantic. These three categories were following stages of civilization, culture, and enlightenment – not dissimilar to Vasari in principle. He then connects the three categories to the three different arts with the symbolic being architecture, the classical being sculpture, and the romantic being painting.

For Hegel, art was, in conjunction with philosophy and religion, one of the fundamental modes of human consciousness. Art allowed human beings to capture and

²⁹ References used:

Peter Brunette and David Wills, eds., *Deconstruction and the visual arts : art, media, architecture* (Cambridge: Cambridge University Press, 1994); Foucault, *Mots et Choses*; Jacques Derrida, *L'Écriture et la différence* (Paris: Éditions du Seuil, 1967); Jacques Derrida, *La Vérité en peinture* (Paris: Flammarion, 1978); Chalumeau, *Théories de l'art* ; Murray, ed. *Key Writers on Art: From Antiquity to the Nineteenth Century*.

comprehend the world in which they lived and their own role within it. This in itself can be seen as an inherent value of art. The idea of art being a window to the world or a mirror of history and society is clearly appreciated in Hegel's view. Thus the criterion of Connectivity is given because art allows us to connect with ourselves and our world which can be seen as a universally acceptable, positive quality. This is all the more true since Hegel claims that art "embodies thought" by which he means that "the intellectual and spiritual content of an artistic work permeated the individual form in which it was sensuously revealed." So while the essential idea is based on art being an embodiment of thought and ultimately truth (because only thought is capable of truth according to Hegel) and is thus rather 'anti-formalist,' the concept of form is still of paramount importance because form harbors content and context. Thus any analysis must start at the form. However, it is clear that form alone will not yield the complete picture.

This is further underlined by Hegel's believe in the superiority of classical art for it is there that external matter and interior spirit were seen as wholly integrated, one being a complete expression of the other. For him, and Winckelmann by whom he was influenced, such art constituted the pinnacle of artistic beauty. It is thus through the experience of form that truth is revealed. Hence, the quality of art for Hegel is largely determined by how well its form expresses truth and by how well it relates to its time. This already sounds very close to Kandinsky's requirement of expressing what is essential to all human beings and to its (the work's) time. The first point though is ambiguous since Hegel also indicated that art's purpose is not primarily to express truth because art has its own truth. This becomes clearer considering that at some stages in

history, philosophy was seen to be the means to find truth, in others philosophy was seen to be just a part of art (Schelling and Schlegel) and art is actually a way to find truth. It is a matter of structural hierarchy between art and philosophy. For Hegel, art has come to an end in the sense that it has understood its own finality and found its own truth.

Speculative knowledge is hitherto again in the domain of philosophy. Hegel says: "The death of art makes possible speculative knowledge of art just like the corpse makes possible legal medicine."

Hegel's shortcoming, if it can even be called a shortcoming, might be in the limited perspective of his reflection. Unlike Kant or Plato, Hegel does not think in absolute or universal terms and principles. He is more specific and his findings are very much influenced by the impression of his own time. This is particularly true for his views on romantic art and painting and their relation to Christianity which were of his time.

Painting was aligned with romantic art which satisfied the need for a deeper look into the spiritual and religious side of the human spirit. This could not be given by the classical forms whose aesthetic beauty was nonetheless unsurpassed. So here he does make a separation between beauty and content or aesthetic and spiritual. He also connected this to the fact that painting is two-dimensional and thus does not externalize its reality but limits it to the surface which faces the viewer, hence forcing him to concentrate on the content and adopt a particular viewpoint.

Interestingly, in the twentieth century there is much discussion about the death of painting (and the death of art) even though painting remains the principal medium of art.

In terms of art historical and market appreciation, even close to two hundred years after Hegel's death, classical art generally attains the higher grade than romantic art, which can be seen as a confirmation of his theory that form and content had to be wholly integrated to create the highest and longest lasting value.³⁰

I.8 Hippolyte Taine (1828 – 1893, France)

Taine was a historian, a literary, and literary critic before he started thinking and writing about art. His art criticism comes directly out of his literary criticism which is quite close to Hegel's philosophy. This comes as no surprise for Taine learned German specifically to be able to read Hegel in the original. Hegel emphasized the importance of a cultural context but the idea of a creative genius was also very important. Taine explains art largely through the cultural context, even if he does not rule out artistic genius. The remarkable thing about Taine is that he is one of the first to try and set more scientific criteria to the evaluation of art. His main criteria are race, environment, and time. He also believed in abstracting and reducing complex things into short formulas which is what this dissertation does. He said: "Every man and every book can be summed up in three pages, and those three pages can be summed up in three lines."

³⁰ References used:

Murray, ed. *Key Writers on Art: From Antiquity to the Nineteenth Century*; Wolff, *About Philosophy*; Chalumeau, *Théories de l'art* ; Jean-Marie Schaeffer, *Art of the Modern Age: Philosophy of Art from Kant to Heidegger*, trans. Steven Rendall (Princeton: Princeton University Press, 2000); Beat Wyss, *Trauer der Vollendung: Hegel's art history and the critique of modernity* (Cambridge: Cambridge University Press, 1999); William Desmond, "Art and the absolute [electronic resource] : a study of Hegel's aesthetics." (Albany: State University of New York, 1986), <http://web.ebscohost.com.ezproxy.lib.utexas.edu/ehost/detail?sid=c9c14fdd-5248-47d6-b4e6-a14b38491dec%40sessionmgr13&vid=1&hid=21&bdata=JnNpdGU9ZW9hvc3QtbGl2ZQ%3d%3d>; ibid; Preziosi, ed. *Art of Art History*.

He identifies race as a certain group character. For example, he talks about Italians as having fertile imagination and the Germanic races are supposed to have a “positive outlook and calm disposition.”³¹ He did recognize that this was not as important as other factors e.g., social, political, and even economical. Thus he accords a high importance to the environment or milieu in which a work of art is produced for it is never produced in isolation. This relates to the question why a comparable artist at the same time does not encounter as much success as another artist. The “time” criterion for Taine is the historical criterion, the larger circumstances as opposed to the closer circumstances of the environment. Relating to the 3C model, the two together would be the Context criterion composed of Time, Space, and People.

A very interesting concept in terms of quality and in terms of economics is another of his main principles, the so-called ‘*faculté maîtresse*’, or predominating faculty. It is one faculty in a person that is stronger than all others and that is bound to resurge in his work.³² Actually, Taine detects this faculty through study of the work. It is the defining criterion, the most salient quality. Unfortunately, this stands against his otherwise rather balanced and scientific method. But it can serve as an indicator for another criterion in the 3C model, namely Change. It is in the difference against other qualities and in the fact that it is outstanding against other works of art, that an art work gathers attention. Thus originality and being unique become the unique selling proposition. The unique selling proposition is a principal tenant of value. The fact that art works are said to be

³¹ Paul Gerbod, "Hippolyte Taine," in *The Dictionary of Art*, ed. Jane Turner (New York: Grove, 1996).

³² One could say that this is the Winner-take-all phenomenon of artistic talent. See discussion of WTA in Chapter 2.

incomparable and each work is supposed to be different bestows each work a rarity that increases value.³³

I.9 John Dewey (1859-1952, USA)

John Dewey is an American philosopher and co-founder of the Pragmatist movement as opposed to the Idealist movement. He wrote *Art as Experience* in 1934 but there were other entries and articles on aesthetics starting as early as 1880. As a consultant of collector Albert Barnes, he had a more direct exposure to art than many other philosophers and often quotes artists in his work. *Art as Experience* is actually dedicated to Barnes who had been Dewey's student. The concept of "pervasive quality" is already explained in *Philosophy and Civilization* (1931).

While the Idealists would say that art is an institution set off from the causes, histories, and values of everyday experience, the Pragmatists, and especially Dewey, say that art is not a special type of product or practice—that would speak against aesthetic categories or even genres and techniques or subject matter categorizations. But it is "a quality of doing and of what is done." This quality can be inherent in all human activity even blue-collar work (cf. Beuys and theory of social sculpture). Nonetheless, this is a phenomenological approach, where the experience of art triggers a consummatory

³³ References used:

Hippolyte Taine, *Lectures on Art*, trans. John Durand (New York: Henry Holt and Company, 1875); Hippolyte Taine, *Philosophie de l'art* (Paris: Hermann, 1964); Chalumeau, *Théories de l'art*; Murray, ed. *Key Writers on Art: From Antiquity to the Nineteenth Century*.

experience. This is not unlike the idea of aesthetic pleasure in Fry and the expression of intuition and intuition of perception in Croce's theory.

Dewey believes that all ideas and theories derive their value ultimately from how they contribute to the resolution of problems rooted in practical life of their surrounding culture. In that case art as a utilitarian tool (teleological) becomes a concept opposed to art as a game or as something without purpose. The question is whether the ambition to solve the problem is sufficient for it to be art or whether it must actually solve the problem. And if so, then how efficiently does it solve the problem? There is much art that does not even problematize anything in itself and can hardly be contrived to do so. Probably this art would then fall through Danto's criterion of being about something. This could also be seen in line with Goethe's definition where he asks, "Was it worth to try what the artist tried to do?" This aspect of potential for individual and social change and the fact that Dewey thinks of art as universal and true to human nature is also very close to Kandinsky's views on what makes good art.

The pervasive quality is what separates one work from another, ties together form, sensuous material, and meaning to trigger a "consummatory experience" and separates this work from all other works. This is quite similar to Taine's idea of the predominating faculty.

Art for Dewey is a product that is potentially triggering 'consummatory experiences' in the viewer or in the artist. As such the consummatory experience is appreciated in the

moment; thus it is final, it has an end and an aim to itself, and it shapes our future; thus it is instrumental. The experience itself is an aesthetic one that is notable because it stands out from the rest of the experiences one might have. In the fact that art can communicate traces of the artist's original experience in a way that ordinary discourse cannot, the criterion of Connectivity is seen again. This is where the value resides for Dewey. We can also make a connection with Danto and Croce. Danto says it is the metaphor that makes art art. Croce talks about the expression of intuition and the intuition of perception. So art can serve as a touchstone for new experiences on the side of the viewer.

This raises the question of how quality is graded. Is the triggering of a "Consummatory experience" enough to make it good art? Or does the experience need to be of a certain kind? The experience needs to heighten meaning through concentration of things that cannot be experienced otherwise. "The main value of fine art is not the enjoyment of leisure, but heightening meaning through concentration." Dewey thinks that what is *generally* called fine art includes self-indulgent self-expression without regard to communication, experimentation in new techniques that produces bizarre products, and production of commodities for the wealthy. *True* fine art produces an object that gives us continuously renewed delight.³⁴ A genuine aesthetic object is not only something that gives consummatory experience, but also helps to produce further satisfaction. Any activity that does this, even if not found within the traditional list of arts, is fine art. So

³⁴ See also Richard Wollheim, *Art and its objects : with six supplementary essays* (Cambridge: Cambridge University Press, 1980).

we can see that a value notion is attached explicitly by differentiating between art and fine art. As Tom Leddy explains:

Fine art is not just an end in itself: it improves apprehension, enlarges vision, refines discrimination, and creates standards. Both the artistic and the aesthetic involve perception in which the instrumental and the consummatory intersect. Art gives us an object replete with meaning. Aesthetic experience, unlike sensual gratification, is informed with meaning. Artistic sense involves grasping potentialities. And artists are gifted persons who integrate focused and defined perception with skill in a progressive way.³⁵

Dewey emphasizes that the experience, the creation, and consumption of a work of art as well as taste are dependent on context and situation but he would not go as far as to say that these things are defined by and only exist through their context. Instead he focuses on the fact that being able to trigger a consummatory experience is the inherent quality of (good) art. This quality constitutes the value of art for Dewey. In principle this value is the Connectivity of an artwork. Change as a quality and value criterion is important because the experience triggered through art has to be a distinctive one. Moreover, Change as inventiveness in form and substance is important because it opens up new areas of experience and the artist should be someone who experiments with new or different ways to trigger an experience. This is necessary because only the different experience will raise enough attention to be noticed.³⁶

³⁵ Tom Leddy, "Dewey's Aesthetics," in *The Stanford Encyclopedia of Philosophy*, ed. Edward N. Zalta (Fall 2008). <http://plato.stanford.edu/archives/fall2008/entries/dewey-aesthetics>

³⁶ References used:

John Dewey, *Art as Experience* (New York: Minton, Balch & Company, 1934); Murray, ed. *Key Writers on Art: From Antiquity to the Nineteenth Century*; Richard Shusterman, *Pragmatist Aesthetics : Living beauty, Rethinking Art* (Cambridge: Blackwell, 1992).

I.10 Benedetto Croce (1866-1952, Italy)

Croce is an Idealist and opposed to Dewey's pragmatist stance, except for the fact that he agrees there is a non-verbal communication taking place between the artist and the viewer through the work. However, for Dewey art is in the object and in the action and art is conscious, while Croce separates between conscious doing and intuition. The work of art is intuition. The form is just externalizing the idea.

Intuition is one of the "four moments of spirit." According to Croce, humans engage in two classes of activities which are then further subdivided. The classes are "Acquiring Knowledge" and "Performing Actions." Knowledge is either intuitive or conceptual. Action is either economic or moral. In the art market the action is obviously rather economic; it would be moral if only good (or only bad) artists were featured.

Croce calls this the "four moments of spirit." Intuition is for him the most important point because intuition is where consciousness is born. So intuition is the starting point of conscious doing but it is not yet fully conscious. For Croce, art and materiality are totally separated and there is no essential distinction between forms of art and even between art and everyday life. In principle, the intuitions of everyday life that make us comprehend the world around us are also artistic. The difference for him is in the degree, being that a great art work will be more complex, richer and more interesting and thus, more revealing than an ordinary everyday intuition. Here we see a measure of quality that is linear in that it separates art from everyday and great art from not so great art on a single scale. This is an argument for the point that art should transcend everyday life and make

us more conscious. On the other hand, Croce argues that each work is a unique intuition. This makes it difficult to compare the intuition on that scale. But if one considers that “to intuit is to express” and that Croce sees the main criterion of art in the “coherence of expression,” it becomes again easier to judge a work of art. The more complex and rich the intuition and the more coherently form and content go along so that the original intuition can be experienced by the viewer, the better the work. This is a clear case in point for the importance of formal considerations when evaluating art with the Connectivity criterion. A good work must be good on content and it must be good on form because it is the form that conveys the content. If it is good only on one of the two, it will be discovered as inferior. However, it is important to understand that the quality of form is not measured by its proportion for example or its outline but by its ability to convey content. This sets him apart from true formalists like Roger Fry.³⁷

I.11 Roger Fry (1866 – 1934, England)

Roger Fry is very much opposed to Croce in that he is a true formalist. But they can be said to be of the same mind in one important point, namely that art relates to lived and shared human experience. His verdict and influence is not to be underestimated for he had a broad and highly qualified experience to judge from being a painter, curator, art

³⁷ References used:

Benedetto Croce, *Aesthetic: As Science of Expression and General Linguistic*, trans. Douglas Ainslie (New York: Noonday Press, 1960); Chalumeau, *Théories de l'art* ; Murray, ed. *Key Writers on Art: From Antiquity to the Nineteenth Century*.

historian, and critic himself. He was thus directly involved with all four poles that influence the evaluation of art.

Fry's formal criteria with a primacy of "design" (as in *disegno*) are not unlike those Vasari put forward four hundred years before him. They include subtlety of light and shade, rhythm of line, color, and plasticity. Being an expert on Renaissance art, this is not surprising. However, Fry also championed Asian and African Arts that were very much en vogue at the time and said that the same formal criteria can be applied to judge these arts. He believes that formal criteria are universal and valid throughout time, and that the interpretation of an artwork is not subjective. Nonetheless, he posits reasons for aesthetic judgment and interpretative claims must always be given. This positivistic attitude might come from his background as a scientist.

Post-structural and deconstructionist tendencies are obviously opposed to this formalist and somewhat absolutist view. But the question of how it can be that a certain artwork elicits similar responses from different viewers, who know nothing about the work, and does so under completely different circumstances, still has to be satisfyingly answered, even in a post-modern environment. Fry's views on the importance of form as a communicator of content and of art as an immediate trigger of an aesthetic response can be easily integrated into the Connectivity criterion. Artistic excellence (quality) for Fry is not beauty, but rather a fusion of formal and emotional vision. In that regard he confirms the line of thought where a high importance is placed on the synthesis of form and

content and on the stimulation of the viewer. This is one of the main tenants uniting most of the writers analyzed here.

While social and historical inquiries were not at the forefront of Fry's approach, he was still impressed by Veblen's theory of "conspicuous consumption" and sought to bring either new art or art that had previously been only accessible for the elite to a broader audience. There is a sense of democratization in this attitude and actually the knowledge that the market can help to purvey access to art instead of separating art from the people. It also resonates very much with Kandinsky's view on the avant-garde where he states that the understanding of art can be seen like a pyramid rising against a baseline. First only a few people at the tip of the pyramid will understand the new art. Then the pyramid will move up and a broader base will be able to appreciate it. The avant-garde will have moved on by then. Through his broad and deep involvement in the study, teaching, promotion, and criticism of past and contemporary art, he became a tastemaker in the first third of the twentieth century. He notably brought Gauguin, Manet, Matisse, and Van Gogh to England for the 1910 exhibition at the Grafton Galleries of London, giving them the designation of "Post-Impressionists." Thus Fry is also an excellent example of the importance of Context, particularly of people, who serve as key figures in the promotion of contemporary art by working simultaneously in more than one pole. It is vital for the reputation of an artist to be shown abroad, as this will increase his/her standing. But at the same time it will also give an impulse to the host culture. The market here has a cultural function and the place of exhibition, be it a museum or a gallery, has a

market function. The two poles support each other. And in this case there will have been a scholar at the helm of the effort.³⁸

I.12 Clive Bell (1881-1964, England)

Bell was a British critic and art historian who belonged to the Bloomsbury group. He was a phenomenologist and formalist and his aesthetic approach described art independently of representational subject matter, political content, emotional expression or social context. In his book *Art*, 1913³⁹ he defines art as having a property called “significant form”. The grasp of this is the source of aesthetic appreciation and one of the “finest human pleasures” (see satisfaction by Kant). Three historic factors accompany his thoughts.

1. The rise of photography that turns certain painters into “mere pictorial chatterboxes’.
2. A public that suddenly had access to forms of art it could appreciate for their beauty (although they were not part of the western aesthetic canon) but that were intellectually unintelligible. Like African masks or Asian manuscripts.
3. Abstract art was on the rise, too. (The question of content or representation was not given in abstract art but form was all important.)

³⁸ References used:

Craufurd D. Goodwin, ed. *Art and the Market: Roger Fry on Commerce in Art* (Ann Arbor: University of Michigan Press, 1998); Christopher Reed, ed. *A Roger Fry Reader* (Chicago: University of Chicago Press, 1996); Murray, ed. *Key Writers on Art: From Antiquity to the Nineteenth Century*.

³⁹ Clive Bell, *Art* (New York: Frederick A. Stokes, 1913).

Bell believes the artistic essence of the work is aesthetic. Looking at the subject matter or the technique will only cloud the aesthetic appreciation. The appreciation and discernment of art are intuitive for him (cf. Croce).

He collaborated with Roger Fry on the groundbreaking First (1910) and Second (1912) post-impressionist Exhibitions in London. He championed most of all Picasso and Cézanne. Bell bases his aesthetic theory on the ethical theory of philosopher G.E. Moore. His idea of aesthetic goodness is modeled on Moore's idea of ethical goodness. He says aesthetic goodness is immediately known and unanalyzable (so he is an important counter-example. Strangely he seems to be an idealist finding that goodness is unanalyzable. The deconstructionists who are not idealist but rather cynical also find goodness cannot be analyzed. The difference is that Bell admits, if indirectly, that there are different degrees of quality. The deconstructionists would not bother with quality because it is too subjective. However, it seems that Bell would find quality objectifiable but still impossible to be analyzed; instead it can only be intuited. Again we are at the crossroads of perception, emotion and intellectual understanding in the appreciation of an artwork. His idealist view is much opposed to structuralist or pragmatist views. It is the intuition that is closest to the concept of Connectivity. Bell affirms that the intuition is based on the perception of aesthetic impulses residing in form.

He thus develops the idea of "significant form". Significant form is based on two premises.

First that there is a distinctive aesthetic experience; and second, that this experience is the same whether one is appreciating an early classical Greek pot, a Picasso drawing, a Rembrandt painting or the mosaics of Ravenna. Though he refers to the aesthetic experience as the ‘aesthetic emotion’ he construes it much more as a perception than an emotion.⁴⁰ Significant form emerges from factors like line, color, form, texture, picture space like harmony arises from notes in music. Importantly, he says that significant form shall not be misunderstood for beauty because beauty is tinted with everyday life and art has nothing to do with everyday life (in that case he really is very idealistic). He judges purely descriptive and political art bad. He says that the sense for significant form is not equally developed in all people (an elitist view that is certainly correct). This is reminiscent of Kant. He calls the form “significant” because he proposes that art has something like a “metaphysical hypothesis” whereby significant form reveals something about ultimate reality. So we do have the idea of truth in painting here, very closely related to what the ancient Greek philosophers stated.

Bell does not like the historicist version of criticism or the psychological version of criticism but he does value the history of art because he considers the artistic problem that each generation or each individual artist sets for himself as a project. He would love to make judgments about art to be purely aesthetic and non-subjective but even he seems

⁴⁰ cf. Croce in regards to the experience. The interesting thing here is that this formalism is not as exclusive as that of Greenberg and that it seems to be universal. He does not say that everyone has the same aesthetic experience with every object and at every time, so a Roman could have a different aesthetic experience than an Englishman when looking at a Greek vase. But he says that the appreciation and the intuition that are part of the aesthetic experience are a distinctive quality that applies to all artworks. Also see: George Stigler and Gary Becker, "De Gustibus Non Est Disputandum," *American Economic Review* 67, no. 2 (1977).

to need more information that is exterior to the work. The Form-Content-Context paradigm seems to be absolutely unavoidable even for Bell. The main ideas can be linked to Connectivity and Context as criteria of the 3C Model.

I.13 Martin Heidegger (1889 – 1976, Germany)

In *Der Ursprung des Kunstwerkes*, published first in 1960 based on lectures given in 1935/36, Heidegger discusses two issues that have a bearing on the explanation of the value of art. The first is that the work is an object and a bearer of properties in and of itself, namely it carries truth (Wahrheit) in it. The second is that through the truth that it carries, it does two things: it connects people to their history and it even generates history through its creative power (geschichtsgründend).

The first point seems similar to Plato or Aristotle where a work reveals the essence through an experience. However, Heidegger's approach is not really a phenomenological one or a teleological one. His definition is based more on the work itself. The idea is that the work (a word we use synonymously as 'thing') is a 'work' because it is an object that has been given form and sense through the work of the artist. This is interesting because it speaks in favor of the idea that there is an inherent sense within each work, instead of the idea that the work itself is only defined by its context as post-modernism would have it. It also could be used to re-think a labor cost theory for artworks. The issue of intellectual property and its value is very closely related to this, as is the social status of the artist and his/her function in society. It is in this sense a testament to the importance

of the artist and his/her creative force. Depending on the position of the artist as a creative force, the force that adds value so to say by the mere act of creating something that was not there before, are a number of things: the genius concept, the art historic way of looking at a single work as part of an oeuvre of an artist as opposed to a more work inherent look, which Heidegger would probably prefer. Moreover, it has an influence on the notion of the artist as a brand as well as the importance of authenticity. The idea of originality and thus the unique selling proposition behind each work are further consequences of the idea that an artwork is a work quite in the sense of the Latin term “opera”, that is a made product/object and that it has an inherent sense (truth). This can help to explain why in spite of a change of context, the connectivity may largely stay the same or similar throughout the reception history of the work because the actual truth is right in the work and quite possibly unalienable.

The second point, about history, is significant for the overall appreciation of art as an activity of inherent cultural value. He says, art is the means through which a people has access to its history, which forms its identity. And without art the people and its history would be dead. Alberti’s “window into the world” could be summed up as these two points: the access to truth and the reflection of history. However, in Heidegger’s view art can actually shape history. The German word “geschichtsgründend”⁴¹ actually implies art to have a power that can be at the origin of history thus not merely reflecting it but creating it. This is also where art and language touch each other because one could also

⁴¹ Translatable as founding history or making history.

argue that what defines a people is its language. In that sense both art and language are communicative tools with historical value that extends into the present and is a necessity for the future. One could sum up grossly and say art has two qualities: it is and makes history and art holds truth. As a consequence it is valuable per se as long as history and truth are in high regard. Especially in light of the Nazi stance on Degenerated Art, which Heidegger must have fully experienced, this is a very important notion coming from a German philosopher of this era. It also shows the perversion of the system and the implacability of the market since many of the confiscated works were actually sold and not destroyed.

Even if this is a very unrefined simplification of Heidegger's highly detailed ontological thoughts on art, it explains why one would value art at all. Interestingly the reasons are as symbolic (art as a bearer of truth) as they are practical (art as a history-making agent and cultural *conditio sine qua non*). In fact, it is a combination of a pragmatist and an idealist position where one does not preclude the other.⁴²

⁴² References used:

Martin Heidegger, *Der Ursprung des Kunstwerkes: Mit einer Einführung von Hans-Georg Gadamer* (Suttgart: P. Reclam, 1960); Martin Heidegger, *Sein und Zeit*, 10 ed. (Tübingen Niemeyer, 1963); Julian Young, *Heidegger's Philosophy of Art* (Cambridge: Cambridge University Press, 2001); Chalumeau, *Théories de l'art*

I.14 Hans-Georg Gadamer (1900-2002, Germany)

Gadamer is possibly one of the most important philosophers regarding the question of how art can be interpreted and evaluated. His importance is underscored by the fact that he lived through the entire twentieth century.

Like Heidegger, he opposes the representationalist view of art where a primary truth exists prior to being art and is expressed or made accessible through the art because that would mean that artworks are always secondary and can only express truth insufficiently.⁴³ Still, the idea of art helping in the un-concealment of truth is present but the possibility of a distortion of truth is acknowledged, as it should be given the period Gadamer lived through witnessing the twentieth century in Europe in its entirety. As Heidegger allowed for art to have an agency in creating history, Gadamer allows for art to have an agency in shaping and transforming truth and our understanding of the subject matter which he calls “die Sache selbst.”⁴⁴ Nicholas Davey says the following about Gadamer’s stance on subject matter:

Whether art distorts its subject matter is not to be settled by determining the relationship between an original truth and its interpretation, but by appraising the appropriateness and consistency of an interpretation within the received corpus of approaches to that subject matter.⁴⁵

For art evaluation that means three things.

⁴³ A fundamental change of paradigm compared to Plato and even Hegel.

⁴⁴ Similar to the *noumenon*, the ‘Ding an sich’, of Kant. Except that Kant’s ‘Ding an sich’ is known but not experienced whereas Gadamer’s ‘Sache selbst’ can be experienced in the subject matter.

⁴⁵ Chris Murray, ed. *Key Writers on Art: The Twentieth Century* (New York: Routledge, 2003), 131-32.

First, a connection of subject matter and how well it is rendered does constitute a criterion, so there is an inherent connection of form and content. Second, this criterion is not to be judged within the work itself but in comparison to other works. Third, the other works that can be used to judge the work at hand must thus be more or less of the same subject matter. The second point about a criterion being judged in comparison only and not in isolation might be the most important. This means that for a proper evaluation a comparison to other similar works is not only possible, it should be mandatory. Of course, the issues of connoisseurship and scholarship for the market and academic poles, as well as the issue of information asymmetry for the market arise from that context. This means that not only depth of knowledge is important for the understanding and evaluation of art, but also breadth for it is breadth that gives us the possibility of comparison and thus of evaluation.

In terms of interpretation Gadamer explains art as a “dialogical event.” Art has the ability to trigger a dialogue between itself and its public/viewers. Again, the agency that is afforded to art here is to be noted. While the subject matter of the dialogue including the pre-requisites for understanding said dialogue exists before the dialogue is started, the dialogue is triggered by the work. The artwork can have a real effect on how we perceive ourselves or the subject matter. Change through Connectivity in direct contact with the work. Our “response to the work is occasioned by our participation in the aesthetic exchange between the work and its subject matter. Gadamer insists that these responses

are not to be rejected as subjective but must be appraised as different moments in the objective unfolding of a work's reception history."⁴⁶

This has two defining repercussions for the validity of a value verdict. It means that the more one becomes involved in the dialogue of form and content with the viewer, the more will be revealed to the viewer. This might seem commonplace but in light of criticism that is oftentimes nothing more than an eloquent description, it reminds us how important an intensive preoccupation with the subject matter and the form, thus the work itself and not texts written about it, is, if we want our verdict to not only be momentarily pertinent but also to have historic weight. The second repercussion is in direct relation to the first. If an interpretation is not to be interpreted or denigrated as subjective but has to be seen as an integral part of the objective unfolding of a work's reception history, then the position of the art historian is just the more important. Besides, it also perfectly contradicts those that say any value verdict is just context dependent and its validity at least doubtful, a position that would debase the work of art historians and critics. In fact, I see a connection between Gadamer's 'dialogue triggering' art definition, Heidegger's history-making art definition and Jacques Lacan's method⁴⁷ of interpretation through verbalization without the open-ended confusion of post-structuralism because if a historical consensus exists about the interpretation, then the interpretation becomes a reference point as a fact and not as a matter of discourse. So we should be able to discern quality through the reception history by art historians and critics and by the market (as for

⁴⁶ Ibid.133

⁴⁷ See Jacques Lacan, *Ecrits*, trans. Bruce Fink (New York: W.W. Norton & Co., 2006).

example the Kunstkompass does) but this is only after the fact. Just as Greenberg said that a decision must be objectifiable at least after it is made. This explains why the 3C model is mostly intended to be used as a tool to determine value after the fact, looking at the work and the work's reception history as well as its market record. However, with the dialogue and the communication being accelerated to the point that they are today, there is no reason why the model should not be used for the assessment of contemporary art with the caveat that it is not a predictive tool.⁴⁸

I.15 Arthur C. Danto (born 1924, USA)

Danto is one of the most important philosophers on art in the twentieth century. He is concerned with ontology – with what art really is. He is an essentialist in that he believes that art can be distinguished from non-art contrary to the school of Wittgenstein that believes that art is an open concept (Wittgenstein probably has the edge here at least after 1950). Danto says that art has certain essential features. His theory is a historicist theory.

According to Mark Rollins in *Key Writers on Art* ⁴⁹the essential features are:

- Art is always about something, which it represents.
- It expresses the attitude or point of view of the artist with respect to whatever it is about.

⁴⁸ References used:

Hans-Georg Gadamer, *The Relevance of the Beautiful and other Essays*, trans. Nicholas Walker (Cambridge: Cambridge University Press, 1986); Hans-Georg Gadamer, *The Beginning of Knowledge*, trans. Rod Coltman (New York: Continuum International Publishing Group, 2002); Jean Grondin, *The Philosophy of Gadamer*, trans. Kathryn Plant (Bucks: Acumen Publishing, 2003).

⁴⁹ Murray, ed. *Key Writers on Art: The Twentieth Century*, 90.

- It does this by means of metaphor.
- Metaphorical representation and expression always depend on a historical context.
- The contents of artistic representation and expression are largely constituted by interpretation.

This sounds like a very classical definition in terms of representation and metaphor. The problem is that it is somewhat circular in its logical approach. If art is defined by what it represents and what it represents is open to interpretation, then it is open to interpretation also whether it is art. Of course, there are things/ objects that do not represent anything, these would not be art. (This does not refer to a figurative representation.) At least he gives us a list of things to take into consideration. Is it possible to re-enter the stage where we even could make a verdict whether something is art or not after post-structuralism?

Connectivity to the world by representation and metaphor as well as Context: defining representation and metaphor, are thus important criteria for Danto.

As indicated in Chapter 3, aesthetics are intricately entangled with the concept of connectivity, for it is aesthetically – with our senses – that we perceive art and then connect to it. Aesthetics are the link between perception and cognition. In *Beauty and Other Aesthetic Qualities*⁵⁰ Danto speaks in favor of a better ontological separation of

⁵⁰ Arthur Danto, *The Abuse of Beauty - Aesthetics and the Concept of Art* (Peru, Illinois: Carus Publishing Company, 2003).

concepts. He goes over the concepts of beauty in art and in nature and describes how beauty erroneously has become “bound up with the concept of taste”.⁵¹ Danto makes an apt distinction between artistic and natural beauty by bringing disgust into the definition, claiming that what disgusts us in painting is what disgusts us in real life. Disgust is therefore more revelatory of truth than beauty. However, he defends that beauty actually has a value: “The difference between beauty and the countless other aesthetic qualities is that beauty is the only one that has claim to be a value, like truth and goodness.”⁵²

This speaks strongly in favor of beauty, being an aesthetic quality and value, giving the Connectivity criterion added weight in the aesthetical and art historical evaluation.

Danto’s example of the beauty of a spark plug which could not have existed in Kant’s time and might have held interest only as an object of curiosity (he compares it to coconuts washed ashore in the sixteenth century). He says it could not have been a work of art back then but it could be considered one now thanks to Duchamp.⁵³ I relate this to the both the Change Criterion and, in particular, the Anchor Phenomenon. It shows that Change is a fundamental condition to even notice art. But to appreciate and evaluate it, it has to have an anchor that allows an intellectual and aesthetic comprehension of the object. He then relates that back to Greenberg and the experience of art.

⁵¹ Ibid., 59; *ibid.*

⁵² Ibid., 61.

⁵³ Arthur Danto, *After the End of Art - Contemporary Art and the Pale of History* (Princeton, NJ: Princeton University Press, 1997), 83.

If it is possible to interpret a work in the here and now, it is also possible to evaluate a work because interpreting a work is always also an evaluation.⁵⁴

I.16 Clement Greenberg (1909 – 1994, USA)

The formalist critic Clement Greenberg is interesting in the framework of this dissertation because he does talk a lot about form, quality and value. Mostly, though, his position is worthwhile looking at because he brings a differentiated view of objectivity and the role of taste to the table. Overall Greenberg would be on the Kantian side and his quality verdicts do sound rather absolute even if he avoids saying that they are objective in the scientific sense of the word.⁵⁵

While he admits “that esthetic judgments, verdicts of taste, can’t be proven or demonstrated in the way it can be that two plus two equal for, ...”,⁵⁶ he then continues in the Bennington Seminars to give a more differentiated view of objectivity as it applies to art. He says:

It’s not scientific objectivity, it’s not probative objectivity as I said last night, but it’s not subjective. And here we’re caught between two terms. Objective is much closer to the truth than subjective. When you bring subjectivity in, then there are no barriers. If I, in my bad taste, decide I like a certain piece of music by Joe Smith better than I do anything by Mozart, I can say, well, that’s my subjective opinion. And then if there’s no objectivity involved, I can go along safely believing that Joe Smith is a better composer than Mozart. And we know that isn’t the way it works out. Experience – the whole past – shows that this isn’t the way it works out. I’m not

⁵⁴ References used:

Arthur C. Danto, *Philosophizing Art: Selected Essays* (Berkeley: University of California Press, 1999); Murray, ed. *Key Writers on Art: The Twentieth Century*.

⁵⁵ It is worthwhile in this regard to look into the concepts of Objectivity and Intersubjectivity with regards to art as an experience (the phenomenological stance). Particularly into Edmund Husserl whose philosophy influenced not only his student Heidegger but also Merleau-Ponty, and Derrida.

⁵⁶ Greenberg, *Homemade Esthetics*, 10.

trying to legislate something. I'm trying to point to the way art has been dealt with in the past. And the way art has worked itself out."⁵⁷

To the question how a gut reaction, one that Greenberg favors as being objective, can be objective, Greenberg responds:

"That's true, but you are, as Kant says, "in accord with humanity." What he meant was, we are pretty much alike along general lines. And it is the general lines that come in play when we're developing our taste. The more you develop your taste, the more impersonal you become. Not the less individual."⁵⁸

So Greenberg claims a cultural concordance of taste and therefore of objectivity when it comes to evaluating art. This is of particular significance when it comes to the criteria of Change and Connectivity as seen in the Anchor Phenomenon. A huge aesthetic shift might well be out of the grasp of cultural concordance, it will either not be noticed or not be understood. People will not be able to connect with a work that has changed so drastically that it is out of phase with what they can seize aesthetically and intellectually. Therefore it is good to have an anchor that ties the experience to something that allows an evaluation based on previous experiences.

On value and aesthetic experience Greenberg expresses himself most rigorously. Two salient quotes that clarify his position, one from the essay *Esthetic Judgments* and one from the essay *The Experience of Value*. In the first he writes: "The esthetic or artistic is

⁵⁷ Ibid., 111.

⁵⁸ Ibid.

an ultimate, intrinsic value, an end-value, one that leads to nothing beyond itself.”⁵⁹ That is fairly close to the term “disinterested” in Kant’s *Critique of Judgment*. However, it is important to note that in this instance Greenberg, as I understand him, does not intend value as an economic concept but rather as a moral concept. Nonetheless, it becomes clear that for him the value is intrinsic and that if there is value in art it can be likened to a moral value. This may very well be what makes art so universally appreciated and what can form the basis for any economic value. The liaison between aesthetic, moral and economic value is something that Greenberg does not explore further here but which is an underlying theme in most philosophical theories on the value of art. It probably stems from the classical Greek principle of coherence of the Beautiful and the Good in *kalos kai agathos*, that even has a contracted term, *kagathos*, to underline how strongly the two concepts are connected. From an economical viewpoint most theories concentrate the use value, the benefit that one can derive from an aesthetic experience, which again squarely intersects with moral and cultural values.⁶⁰

How deep this connection to moral value is appears when he states:

Not all the art ever made, not all the esthetic experience ever relished, is worth the life of a single human being. I would deplore anyone’s risking his or her life in order to save the contents of the Louvre. A real categorical imperative operates here.⁶¹

⁵⁹ Ibid., 22.

⁶⁰ See Samuel Alexander, *Beauty and Other Forms of Value* (London: Macmillan, 1933); Gadamer, *The Relevance of the Beautiful and other Essays*; François Duret Robert, "What Determines Art Prices," *Connaissance des Arts* 1988.

⁶¹ Greenberg, *Homemade Esthetics*, 63.

His are wonderfully high and just standards. The problem is that history proves him wrong or at least shows that it is easier to express these standards than to adhere to them. When someone like André Malraux goes to prison for stealing temple sculptures, workers die while building pyramids and cathedrals, artists suffer the effects of toxic chemicals, scholars risk their lives to save art in Iraqi museums from destruction through bombs, just to then have thieves loot what is left, it shows that the economic and ultimately the artistic or aesthetic value of art can and often do take on a higher position than moral values.

For Greenberg the value of art is in its aesthetic experience, as he poignantly affirms in *Experience of Value* where he goes as far as to conflate experience and value: “It remains: that when no esthetic value judgment, no verdict of taste, is there, then art isn’t there either, then esthetic experience of any kind isn’t there. It’s as simple as that.”⁶² Greenberg, in the same essay, also explains that “The acts by which works of art are created are value judgments too, judgment decisions.” This is very much in line with Grampp’s theory of art as an economic activity.⁶³

Finally, Greenberg gives valuable insight on how to differentiate between higher and lesser art, namely by degrees of liking or not liking when he says:

In the esthetic context judging means liking or not liking (or you can say being moved or not, stirred, exhilarated, or not, or not enough, along a scale of degrees that’s as infinitely divisible as any total continuum).⁶⁴

⁶² Ibid., 62.

⁶³ See Grampp, *Pricing the Priceless*.

⁶⁴ Greenberg, *Homemade Esthetics*, 63.

This is such a valuable point in this dissertation because it is very close to real life, for the artist and the critic, as it is very close to the psychology involved in making purchase decisions for the buyer. It also links, once again, the value to the pleasure principle and the pleasure to the aesthetic experience. All of this is addressed with the Connectivity criterion.

I.17 George Dickie (born 1926, USA)

Perhaps the most eminent philosopher today on art and the value of art George Dickie has treated the subject very thoroughly and has looked at it under all angles, from Plato to the current day. His Institutional Theory of Art (*Art and the Aesthetic: An Institutional Analysis* (1974)) says that art can only become art when inserted into an institution called the artworld (cf. Danto), essentially the four poles. This again underlines the intrinsic connection between the work of art as such, its value and quality and the way these are perceived and created by the artworld.

His institutional definition of the work of art is: “A work of art in the classificatory sense is an artifact of a kind created to be presented to an artworld public.”⁶⁵ Obviously, this relates directly to the Context criterion, that explains how important it is for the work to be shown at the right time and place to the right people.

⁶⁵ George Dickie, *Art and Value: Themes in the Philosophy of Art* (Oxford: Blackwell Publishers Inc., 2001), 92; *ibid.*

This institutional as well as Danto's cultural theories of art are quite similar, especially in that both are non- or anti-teleological, i.e. art here does not have a purpose (e.g., self-expression of the artist, discovery of truth, beauty etc) as in the teleological theories.

What stands out though is that his theory is actually more evaluative than the others. For Dickie an artwork actually must have a minimum level of quality to even be considered art. Where many philosophers or critics would be rather generous in giving away the art denomination to an artifact, Dickie connects 'aesthetically good' directly to art. If it is not aesthetically good, it is not art. Others would say that it is still art, just not good art. But Dickie draws the line, stating:

According to my institutional theory, the same institutional practice [Note: producing artifacts for the artworld] can have two different outcomes: (1) the creation of things that succeed in being aesthetically good and are, therefore, art; and (2) the creation of things that fail to be aesthetically good and, therefore, fail to be art.⁶⁶

The criterion and factor that makes art art and makes it valuable is the aesthetic experience, which is clear when, during a discussion of Monroe Beardsley, he posits: "Aesthetic experiences of a fairly great magnitude are always good."⁶⁷ We can see that, as with Greenberg and most others, the value resides in the degree of aesthetic experience derived from the work.

At the end of his book *Art and Value*, Dickie goes as far as reformulating his definition of the art work to be: "A work of art in the classificatory sense is an *evaluable*

⁶⁶ Ibid., 98.

⁶⁷ Ibid., 76; *ibid.*

artifact of kind created to be presented to an artworld public.” He adds that “this definition of ‘art’ incorporates evaluativeness in a way that does not guarantee any degree of value but leaves art open to the full range of evaluative assessment. This reformulation does not, I believe, really add anything new because everyone has always regarded works of art – however they are to be defined – as evaluable; the definition just makes it explicit.”^{68 69}

I.18 CONCLUSION CHAPTER 1

In conclusion, it appears not to matter for the evaluation of art whether one adheres to teleological or anti-teleological (cultural, institutional) theories of art. In all of them, at the center of the value question is experience. Neither does it matter how this experience is created, communicated, altered or perceived because it inevitably will be. Nor does it matter whether it has anything to do with truth or objectivity in any sense of those words. What they all agree on, from Plato to Dickie, is that art is able to procure experiences of varying degrees, different from non-art, and that therein lies the root of the value of art.

The experience of art in all its forms and instances from creation to consumption can be regarded under the headers Change, Connectivity and Context of the 3C Model. This is why the 3C Model works as an evaluative method independent of philosophical or cultural theories and systems.

⁶⁸ Ibid., 107.

⁶⁹ References used:

Dickie, *Evaluating Art*; George Dickie, *Aesthetics: A Critical Anthology* (New York: St. Martin's Press, 1977); Murray, ed. *Key Writers on Art: The Twentieth Century*; *ibid.*

II. Chapter 2: Value and Price from an Economic Perspective

II.1 INTRODUCTION

Where the first chapter treats the Quality-Value relation of the QVP paradigm from an art historical and philosophical standpoint, this chapter examines the couplet ‘value and price’ of art, and does so from an economic perspective. It will explain the relation of quality, value and price based on a review of literature by scholars in the field of economy. On this basis one will understand how the 3C method, using Change, Connectivity and Context as criteria, can be applied on the market side just as well as on the art historical side.

The chapter starts with some introductory reflections and remarks to help us understand the particularity of the tradable good art is.

Then there will be a very brief summary of pricing theory and micro-economics applied to the art market and art as a commodity. This will clarify in how far art is subject to the rules of micro-economics.

Finally, the literary review will summarize and analyze theories and results from some of the most important scholars in the field of economics that have done research on the value and pricing of art in particular Frey, Grampp, Pommerehne and Greffe. From the very start, it is key to underline how all of them agree that the actual artistic and art historical quality and evaluation of art play a significant or even an essential role in the market evaluation and pricing of an artwork. Thus they refute the commonly held believe

that price and artistic quality are unrelated. Nonetheless, this part will also shed light on other criteria that influence pricing and are directly related to the 3C model.

Supply, exchange and demand are preeminent factors in the arts as in anything else that is tradable and traded. However, there are limits that make it impossible to apply it as consequently to art as opposed to another commodity. For example, art will be created for spiritual purposes even if there is no economic/commercial need for it. On the other hand, there is still an economic relation of utility even in the production of spiritual art. Some artists also produce without the need or the desire of selling. The question is whether their art will ever be discovered or found to be of good quality and then be sold. But even for these artists the process of creating art alone is subject to economic considerations such as opportunity cost.⁷⁰

When an artist intends to sell his/her production he/she enters the commercial side. The commercial side necessitates marketing, i.e. going public with the art one produces and it also necessitates competition. Where there is competition there is knowledge of what the other is doing and of what the market expects. In thus far the market might have a very direct influence on what and on how much is produced. For instance in times when the contemporary art market booms there will be a lot of mediocre art but there will also be a lot of good art due to competition and the willingness to pay high prices. At the same

⁷⁰ See Hans Abbing, *Why are Artists poor?: The Exceptional Economy of the Arts* (Amsterdam: Amsterdam University Press, 2002); Greffe, *Arts and Artists*.

time, discriminating between more or less valuable pieces will become more important precisely because there are overall more offers to choose from. Even if price is an indicator of quality in most cases, there will be situations when a prospective buyer, be it institutional or private, will have to make a decision between two objects at the same price. The question is then which object will be the better value at the given price. Even though that may be a highly individual and subjective decision, it is also a decision that often needs to be justified to a supervising board in the case of an institutional acquisition or a decision that will be looked at later when the work is resold or not in the case of a private purchase. In both cases having tools that allow one to judge value based on other criteria than price is essential to ensure a wise allocation of resources.^{71 72}

The principle of opportunity cost in art means that an artist will or at least should, from an economical standpoint, turn to the medium that will give the best return for the time and talent invested. This might be the reason why painting – generally being regarded as the quintessential medium to this day - is still the most common and fetches the highest prices, even though, or perhaps because, it is the most common and cheap to produce. It might also be an explanation for the rise of video art, given as another example. Video art is relatively easy to produce and not much technical skill is needed in terms of mastery of the medium (unlike sculpture or print), in order to produce a

⁷¹ On the specificities of economical considerations for museums see Martin Feldstein, *The Economics of Art Museums* (Chicago: University of Chicago Press, 1991).

⁷² Michael Hutter and David Throsby, eds., *Beyond Price: Value in Culture, Economics and the Arts* (Cambridge: Cambridge University Press, 2008).

palatable result. Besides, nobody really expects Spielbergian production values⁷³ in contemporary video art. As a result, surprising amounts of bad video art cropped up and almost killed the medium as something that is to be taken seriously, particularly if price is taken into consideration.⁷⁴ Why pay \$30000 for a medium quality video work (conservation, presentation and copy issues also are important to consider) if you can get very good quality painting for it? And this is besides the point that video art is much better suited than painting as a democratic medium and would be better exploited by granting access through low prices and multiple copies than by following the restrictive principles of how painting is marketed.

Only a few people have ever found the investment in a taste for art to be worthwhile and only a few people could even afford such an investment. This starts already with the time it takes to build a taste for art and to nourish it, only to come more pronounced when one starts buying art.

This explains why art is a luxury good and why the judgment of art is necessarily an elitist affair. If you care about art as a buyer or scholar you must be sufficiently economically independent not to need to spend your time with nether work to earn a living. It also explains the social distinction that Pierre Bourdieu identifies. It is easier for someone who has grown up with art to acquire the taste for art.⁷⁵ The investment is lower and thus the return of investment will be proportionately higher. This leads to a

⁷³ Meaning special effects and props that cost millions.

⁷⁴ The documenta 11 exhibition of 2002 in Kassel was a good example for that. While there were excellent contributions/selections from artists like Hanne Darboven, On Kawara, Cildo Meireles and Yinka Shonibare, the majority of pieces were video art and mostly uninteresting in my opinion. Video art also requires quite some time to be consumed and is in this sense less efficient than a painting or sculpture.

⁷⁵ Bourdieu, *La distinction : critique sociale du jugement*.

perpetuation of taste and to certain conventions defined by a “ruling taste class”. In a Marxist view it would be the accumulation of taste as capital (or the capacity of judgment according to the canon of taste put in place by the ruling taste class).⁷⁶ In turn, that might hint at why stylistic changes were rather subtle over the centuries. Only after the social changes triggered by the industrial revolution did the taste wheel spin faster and did we have real revolutions in the perception and creation of art. Unfortunately, that does not mean that there is less of a class divide when it comes to access to art - so much for the demand side.

On the supplier side an equivalent exists to the investment in a taste for art. It is in the investment in making an aesthetically good work, a work of higher quality. A work of higher quality will have more potential to increase in value and thus more potential to fetch a higher price.⁷⁷ The decisive factor here is talent. Technique and labor can all be outsourced but not talent. That is of course presuming that the artist does come up with his/her original ideas. We can safely presume that this is important judging from the importance given to intellectual property considerations now as compared to even 30 or 40 years ago; to name Richard Prince and Daniele Buetti as an example⁷⁸. A talented artist will have an easier time (less cost for an equal or greater investment) making a good work than an untalented one. As a matter of fact, talent is the condition-sine-qua-non for

⁷⁶ Stigler and Becker, "De Gustibus Non Est Disputandum."

⁷⁷ Benjamin Tilghman, *But is it Art?: The Value of Art and the Temptation of Theory* (New York: Blackwell, 1984).

⁷⁸ Both artists were involved in litigation regarding the copyrights of images they had appropriated.

works of consistently high quality. This is why critical distance is necessary to judge an artist's work and its impact on art history with better validity. The problem in the market is that there is no time for critical distance because the market moves faster than it can be judged when one cares to apply the "time will tell" method; hence the need for a method that may be applied instantaneously.⁷⁹

As noted in the introduction to the dissertation there is a difference in acknowledging the consistency and relation of aesthetic and economic value in art between people who talk about it (critics, scholars, etc.) and people who are actually involved in the making, collecting or dealing with art, thus the four poles.

⁷⁹ Katja Blomberg, *Wie Kunstwerte Entstehen: Der neue Markt der Kunst* (Hamburg: Murmann Verlag, 2005).

II.2 MICRO-ECONOMIC THEORY APPLIED TO THE MARKET FOR CONTEMPORARY ART

Normative vs. positive

Art judgment is always normative and even pricing can be seen as normative until a longer track record has been established.⁸⁰

Maximization:

Predictability is given if people are rational and if they tend to maximize. For ordinary economic activity and transactions that is seen as given. Art buying is not the most rational thing to do. Since art is a luxury good⁸¹ and luxury goods follow different rules, factors like taste, prestige and opportunity play a role. Price elasticity is higher than 1 and demand increases as disposable income increases.⁸² There is still a tendency to maximize value in the form of individual utility but return of investment in hard cash is not a priority in most cases. On the other hand, decision making is still not entirely individual because of the Bourdieu factor of taste and prestige which makes buying trends more visible. Certain groups of people will buy certain things according to their habitus and milieu.

⁸⁰ Normative means assessing the value of things as good or bad, which is what happens automatically when viewing art.

⁸¹ Thorstein Veblen, *The Theory of the Leisure Class* (New York: Penguin Books, 1979). First published 1899.

⁸² Victor Ginsburgh and David Throsby, eds., *Handbook of the Economics of Art and Culture*, vol. 1 (Amsterdam: North-Holland, 2006); James Heilbrun and Charles M. Gray, *The Economics of Art and Culture* (Cambridge: Cambridge University Press, 2001).

How can a monetary return on investment be maximized in the art market? Buy early, keep an eye on the market to sell at the right time, know who is likely to buy, create buzz and be on the strong side of information asymmetry.⁸³ So far that sounds more like the stock market than commercial goods or commodities. Buying young, contemporary art, where the critical distance is lacking and that is not yet established with a record of confirmed market prices, works like a bet or a stock option to exert. The material value is often nil but the utilitarian value can be high.⁸⁴

Adam Smith postulates that if everyone tries to maximize, opposing forces push the system toward a predictable outcome. That is somewhat true but not all forces are equal. It seems the dealer/intermediary has the highest power because good art is difficult to source. So the dealer's judgment is also important art historically since only what s/he sources will be on the market. And only what is on the market gets any attention and can be bought. In this sense, the art market limits art history's perspective, for art history in most cases will only see what is available on the market. Rare is the art historian who seeks out an obscure contemporary artist to sing his/her praises in a book published on the historians own account. Therefore, the art market can be said to be the first step in the creation of value, even before the art historians, if we agree that the artist is the

⁸³ William N. Goetzmann, "The Informational Efficiency of the Art Market," *Managerial Finance* 21, no. 6 (1995).

⁸⁴ Steven E. Landsburg, *Price Theory and Application* (Mason, OH: Thomson South-Western, 2002).

foundation in creating the work itself.⁸⁵ The media contribute to the distribution of fame and images and the art historians can confirm or reprove a value verdict given by previous instances. As a result, criteria used in the market should be just as important in the art historical evaluation as art historical criteria and methods are for the market.

Economic agglomerations:

The principle of economic agglomerations does not really work because customers are not evenly spread; they don't take the shortest way and stores do not offer all the same merchandise. Instead, there are centers of the art market that coincide heavily with production location, museum location, art school location, media location and buyer location even though the goods would be relatively easy to transport. These centers have not changed in a very long time. The question is whether this should be interpreted as a sign of conservatism or a sign that it is an optimized system that relies on necessary synergies to limit the resources spent because the art market is already a very resource intensive market?

Art market: monopoly or competition?

The art market could best be described as a monopolistic competition.⁸⁶ The quantities are rather limited but can be still a little elastic (as is the case for Jeff Koons

⁸⁵ Iain Robertson, ed. *Understanding International Art Markets and Management* (New York: Routledge, 2005).

⁸⁶ Landsburg, *Price Theory and Application*; Edward Chamberlin, *The Theory of Monopolistic Competition* (Cambridge: Harvard University Press, 1933).

working with assistants who can produce more than one man).⁸⁷ A dealer can control the quantities and how much s/he wants to sell to a certain extent in order to influence price. Even auction houses can do so but to a lesser extent. Moreover, the goods are generally not perishable at least not in a physical sense. Also, not every artist is available through every dealer. Exclusive contracts exist that are jealously guarded and negotiated. Still, there are always other artists to choose from. So what makes us choose one over the other? If independent variables (exogenous, i.e. out of one's control) drive the decision making of the buyer, then what are they? Price, quality, availability, cost of similar objects, cost of getting the object. Is taste an independent variable?

The art market is difficult to enter in terms of competing for buyers and in terms of an initial outlay to start the business but high profits are to be made. In my experience, after taxes and costs a net profit of 10-20% of total revenue is not unusual. I believe in other industries 10% is already very good. Probably one of the highest margins is luxury textile retailing. A clothing store usually puts between 200 and 500% on top of the price it pays for something. The overhead though, as in the art market, can be huge. In the market for luxury fashion items it is therefore not uncommon to aim at selling stores at exclusive

⁸⁷ In the pricing theory of differentiated products the price is always higher than the cost of producing another piece. As a result, all artists want to sell more than they can at the optimum prices they charge but cannot because of free entry by other artists. It is important to point out the struggle in the artworld between horizontal and vertical product differentiation. In vertical product differentiation the quality can be assessed and ranked based on a single characteristic from good to bad objectively, e.g. a fast car versus a slow car. In horizontal product differentiation the single characteristic cannot be clearly assessed and ranked and might differ subjectively, e.g. the same car in a different color. In art there are not only multiple characteristics that are hard to assess and rank but the two types of product differentiation are applied somewhat antagonistically. On one hand, we can clearly see a correlation of quality and price speaking in favor of a vertical differentiation. On the other hand, prices for works from the same artists are usually calculated only based on size such as to avoid any inference of lower or lesser quality within the artist's work. See Olav Velthuis, *Talking Prices*.

boutiques that belong directly to the brand or are leased out in a franchise system. This way the high margins benefit the brand directly and the brand gains more pricing flexibility. However, I do not know of a single artist except Thomas Kinkade who has his own chain of retail stores that sell exclusively work by this artist. Nonetheless, the big Damien Hirst auction at Christie's that sold works for more than \$170 million, was clearly a successful attempt by an artist to circumvent the expensive intermediary. While a gallery mostly splits the proceeds from a sale 50/50 with the artist, an auction house will only take 20-25% of the hammer price from the seller and another 20-25% from the buyer. It is noteworthy to say that many of the works sold at this auction were specifically produced for that auction. Hence it was not a secondary market auction as is usually the case.

What sets a dealer apart from the competition are the quality of works offered, the selection of artists and price points offered, when s/he gets them (earlier than others), customer service, incentives and price. Price is might not even be the most important factor because prices seem to be rather fixed among dealers with a slight advantage in list prices for European dealers selling in Europe. In my own experience, in the primary market in galleries and art fairs between 2000 and 2010 a work of comparable quality from an artist in a comparable stage in his/her career did cost significantly less (up to 50%) in Europe than in the USA. The entry price point for a midsize work by a young, not yet completely established artist with an exclusive gallery representation was around USD2500 - 3500 in Europe, whereas it would only start at USD4000 – 5000 in the USA with a tendency to even higher prices at the peak of the art boom between 2006 and 2008.

This viewpoint is shared by all collectors and dealers I talked to but there is no hard data on the matter from the primary market since art galleries are not exactly forthcoming with information on prices of works sold. The dealer does have quite a good room for negotiation but needs to make sure his/her cost is paid and the cost can be extensive, see above. And while there is still an information asymmetry to the disadvantage of the buyer in terms of evaluation, the price comparison is rather transparent owing to big international art fairs where one artist will be represented at different galleries. This is why I can say with certitude that the above is true. The idea for the market pole is, of course, to reduce cost and maximize revenue and thus profit. Being in the same town as the artist and the media and museums reduces cost for the seller which speaks in favor of the synergy theory above. However, for the buyer it can be advantageous to buy art in another country if sales and import taxes are taken into account. For example, there is a value added tax of seven percent on art in Germany. When an American buyer buys a piece in Germany, s/he does not need to pay this tax. When s/he imports the work to the USA there is no import duty on art.

Externalities:

Negative externalities are practically nonexistent in the art market. Positive externalities relate to gain of cultural value and production. The social cost of the product is not particularly high, unless the artist intends to break or interrupt the social contract as for example Christo and Jeanne-Claude did in the *Running Fence*. The production, distribution and consumption do not require efforts out of the ordinary. Here, too, the

situation is similar to luxury goods. The only possibly negative side effect that I can see is a gentrification of formerly poor areas of inner cities (Soho in New York, Marais in Paris, Kreuzberg in Berlin). There are no compensatory taxes to offset any negative externalities art might have. Rather tax breaks exist to the benefit of art as in reduced sales taxes, import taxes, inheritance taxes and taxes on company capital. Art a dealer has in his gallery is usually not viewed as company capital as it would be with stock of machines for example. Of the European countries that play a large role in the international art market only France actually taxes dealers on their inventory.

Price equilibrium:

Usually value maximization point and price equilibrium coincide. To find the right price as a dealer it is important to know what others charge for similar work; see above on competition. The over and under table prices are probably very different with the over table price being much higher. On the other hand, it is a bidding game if there is a strong demand.

Accordingly, especially in auctions the winner's curse is very important. Closed bids are generally higher than open bids. That is why the art market is so discreet (comparable to the banking business except that the financial tools in banking are basically the same for everyone but the starting position in the art market can be very different). The Stackelberg equilibrium applies where it is an advantage to know what the competition does so we can adjust the output to the demand curve and thus adjust price and profit. This is why art dealers never sell all their stock to be flexible. Maximum bid determines

market price but it is only one instance of price. Nonetheless auction prices do have an influence on gallery prices (conversation with Achim Moeller).^{88 89}

Opportunity costs:

Different studies (Mei/Moses et al.) show that returns on the art market and stock market are more or less equal with the art market performing a tad under the stock market on average.⁹⁰ The exception is a time when the stock market is doing badly. Then art becomes an even more interesting alternative. The figures below actually show that for the period of 2002 to 2011 the Postwar and Contemporary auctions at Christie's outperformed the SP500 by a good margin. So while the overall disposable income that can be spent on art goes down and the art market overall will go down as a result, it will not go down as badly as the stock market and it will recover earlier. We have seen this in the 2009 crash very clearly. That does not mean that the art market goes down if stock market is high. When the stock market is doing very well, the art market is usually doing very well, too, simply because there is so much extra money. A 2006 market study shows that the very wealthy (defined somewhat arbitrarily as having a personal fortune of

⁸⁸ Grampp says one part of the price is the markup the dealer has to calculate in as the cost of doing business. He also says that there will always be automatically as many dealers as to have markup and cost in equilibrium. Basically, if the cost of doing business was very low and huge sums could be earned, everyone would jump into the business to profit from the situation until there were so many dealers that the cost would increase. This is exactly what we saw between 2000-2006. But what is happening seems to be that the market becomes more high-end and is thus creating more cost for dealers but since it is a seller's market the prices grow exponentially. The question is how long this will continue and whether there is any period or rhythm to this phenomenon?

⁸⁹ Based on a conversation with gallery owner Achim Moeller, NY at art basel in 2007.

⁹⁰ Jianping Mei and Michael Moses, "Art as an Investment and the Underperformance of Masterpieces," *American Economic Review* 92, no. 5 (2002); Alan Beggs and Kathryn Graddy, "Anchoring Effects: Evidence from Art Auctions," *American Economic Review* 99, no. 3 (2009).

USD89 million and earnings of USD 9 million p.a.) have art as their single biggest yearly average spending item with USD1.75 million p.a. No other expenditure, be it traveling or jewelry even comes close. The art buyers are divided into two categories in this study: those that are “trendsetters” and buy more works more often but at lower prices (up to \$500,000 per work) and those that are “connoisseurs” who buy less work but at higher prices (over 1mil per work). The study also found that those who have had this high level of income for a longer period have a tendency to maybe even skip a year of spending on art in order to buy a single multi-million dollar work in a subsequent year.⁹¹

Summary and impressions as participant observer:

Mostly the equilibrium price cannot be applied because it is really not an open market, not even the auction market. The most important thing seems to be that it is a closed market that follows what is called economics of attention. Marketing is all the more crucial as the market is an ‘insiders only’, self-referential field. The theory of information asymmetry is what seems to best describe the market and its pricing methods. Asymmetric information is typical in the art market.⁹² Art dealers can exist because of convenience. It takes a lot of know-how of determining what is good. In addition, it takes too much time to look for the promising artists as a collector. Same for the artist, it takes too much time looking for clients. The dealer is an institution of quality

⁹¹ Hannah Grove and Russ Alan Prince, "The New Jet Set," HSGrove, www.hsgrove.com.

⁹² Richard B. Coffman, "Art Investment and Asymmetrical Information," *Journal of Cultural Economics* 15, no. 2 (1991).

assessment in this game.⁹³ If the artist is well known, s/he will most likely not sell privately but only through a dealer. Each one has to use the comparative advantage and do what he does best. This explains partly why art prices are so high and why only the rich can afford the most acclaimed art: they make more money in another field than the artist does in art. In this sense one can attribute the positive social externality of redistribution of wealth to art, if one considers that to be positive.

In terms of speculation different strategies co-exist, very much like growth and value strategies in the stock market. And just like in the stock market a lot of buyers buy with the ears instead of analyzing for themselves - except, in the stock market the information is easier to access; not so in the art market.

The only other theory that works to a certain extent is the one of market power in a monopolistic competition. The galleries have massive power because they are the only distributor in the primary market and an artist usually has no more than two or three galleries especially at the start of a career. Since contemporary artists without a gallery representation are usually not traded in the secondary market, the prices are determined by the galleries. The only thing that stops them from taking completely arbitrary prices is that there are comparison values of more established artists. The prices for the new artists must be below those of established artists if vertical product differentiation is to be guarded. Also, the artist's output is necessarily limited and the primary market in many

⁹³ It is through reliance on an expert verdict and the reputation of a brand like Christie's for example, that information asymmetry can be solved or at least decreased in the art market.

cases offers lower prices and new work for confirmed and sought after artist than the secondary or tertiary market (auction or dealer). Talking to art galleries from four continents I learned that many dealers say that there will always be more buyers than artworks confirming the dealer's power position and speaking in favor of high prices. Obviously, the dealer's power position also stems from his/her ability to determine how much of the production even reaches the market. They officially claimed there was no bubble even between 2006 and 2009.⁹⁴ I disagree because until 2009 there were too many works commanding inappropriately high prices. And the more honest people did totally agree with me. They even agreed with my suggested 2-3 year period until the bubble bursts when I suggested that in 2006. As we can see now, that assessment was entirely correct.⁹⁵ The economic recession did not kill the art market but it did lead to a reset and an emphasis on quality and works by more established artists because there was not as much really superfluous money to spend on speculative experiments.⁹⁶

During the past eleven years as a participant observer in the contemporary art market in Europe and in the USA, I also understood how the mechanism for defining a price works. It is actually quite a transparent system, yet it is flexible in that the threshold and increase variations can be going up or down following the general mood of the market. In

⁹⁴ The figures in the graphs included here (Fig.1) clearly show a bubble in the auction market in 2007/08 that burst in 2009. Again, similar figures for the primary market can be expected but are impossible to find because of the primary market's discretion on price and sales figures.

⁹⁵ I did not base this assessment on the supposition that there will be an economic crisis as it occurred in 2008 but simply on the impression that the hype and euphoria in the art market with record sales numbers and record prices was artificial and could not go on like this.

⁹⁶ This is called the flight to quality.

principle the system works on factors as education, age and gender of artist, number and reputation of exhibits and collections, awards received, media attention and, of course, size, medium and rarity of the work. These are seen as indicators of quality and artistic maturity. A careful gallery owner will build the prices starting from a lower point and moving up slowly but steadily giving reason to each price increase with a step in the career (see factors of recognition).

II.3 LITERARY REVIEW ECONOMICS

II.3.1 William Grampp (no birthdate available, still alive in 2011, USA)

William Grampp has conducted an empirical study showing that the price for work of the principal living artists is consistent with the critical judgment made of them. He explains the findings of this study and the research around it in his book *Pricing the Priceless – Art Artists and Economics*⁹⁷. He employs microeconomics to understand certain features of visual art, some reaching into history, some having to do with the present.

The book approaches the questions at hand from the neo-classical economics viewpoint that presumes sensible (rational) and self-interested behavior.

⁹⁷ Grampp, *Pricing the Priceless*.

He starts out by analyzing the activity of art – the making, the acquiring, and the using of it – as a certain kind of behavior. Behavior of all kinds entails choices, and all choices entail returns and costs. The two are what economics are about. All choices might not be objective but at least in economics they should be reasonable and thus traceable, which is a premise for an attempt at finding a method to judge value as objectively as possible. In this premise he can be very much likened to the art critic Clement Greenberg who said that looking at art meant judging it. And judging art entails choices that are objectifiable as soon as they are made (in *Homemade Esthetics*).

Grampp argues that there is a consistency of economic and aesthetic value. He relates that consistency to the availability of information which in his view is quite high but not so high as to make the market as efficient as the securities market for example.⁹⁸ Stemming from the information argument is his insistence on the value of an expert verdict on defining a price. He confirms that the market and scholarly interests are linked. The attribution, authenticity and quality verdict of a scholar can make or break a price according to Grampp. Furthermore he insists on the relative consistency of this verdict among the interested parties. To this effect he uses the example of the IRS Art Advisory panel which consists of “dealers, museum officials, scholars and people from auction houses”.⁹⁹ Their task is to judge the “fair market value” for art works given on tax declarations.

⁹⁸ Ibid., 30.

⁹⁹ Ibid., 32.

Says Grampp:

What is more interesting and maybe surprising to the art world, although not to an economist, is that the estimates which members of the panel make are similar. That is the scholars and museologists concur with the dealers and auctioneers (not, in all likelihood, to the last dollar, however).¹⁰⁰

Grampp bases economic value firmly on the idea of marginal utility and explicitly includes aesthetic value.¹⁰¹

The problem with Grampp's link of aesthetic value and economic value is how he defines "aesthetic value". For him it is the qualities that make a work desirable to someone. This is evidently a very broad definition and does not help much in establishing any formal criteria unless we use behavioral psychology and anthropology to determine for example that blue is the favorite color of most westerners or that symmetry or the golden section are visually appealing and thus desirable. He avoids what could be a numbing discussion of aesthetic value and how to define it, while admitting that it is subjective by including aesthetic value as a utility. In this sense he is very much in line with scholars and philosophers from the first chapter who have all agreed that art did have a utility. And that utility can and should be measured by comparing works of art.¹⁰² He also connects aesthetic value to artistic merit and intrinsic quality in one fell swoop,

¹⁰⁰ Ibid., 32.

¹⁰¹ Ibid., 20-24.

¹⁰² This is where the horizontal and vertical product differentiation in terms of the unique selling proposition comes into play again. It can be expressed in the 3C Model with the Change criterion.

thusly posing these things as a foundation of pricing even if he fails to be very specific of how he defines these terms. The important thing for Grampp is that first these qualities are there and second they are the basis of pricing. Hence price defines the utility level of these criteria. He makes a very strong connection between quality, value and price:

Consider now what economics can say about what art is worth, or its value, specifically, whether the price of a painting is related to or determined or influenced by its intrinsic quality, merit or aesthetic value. The question stated still more specifically is whether the prices of paintings are proportional (at least ordinally) to their aesthetic value. For example, if any reason the world of art believes painting A is superior to painting B, is the price of A likely higher than the price of B. The answer in my opinion is likely to be yes. That opinion rests on several kinds of evidence, namely, (a) private collectors are reasonably well informed about what they buy and sell, dealers are well informed, and major museums are very well informed; (b) while the market is not perfectly competitive – since works of art are not homogeneous – there is reason to believe the range within which prices are set defines the limits of esthetic value; (c) prices set at auction and values given in tax inquiries are consistent with the aesthetic quality of the works; and (d) the prices received by the major artists of the present are consistent with the professional judgment that is made of their work.¹⁰³

However, he admits that the *available* information might not be sufficient to prove this under econometric scrutiny, only to then contend that it is the equal of information that actual people in the art market, the four poles, use to determine de facto prices.

Grampp also concedes that a price determination is only a momentary expression of value. This is what I intend with the QVP paradigm. The quality is the intrinsic quality of the work; it is its potential to accrue value. Value is what external factors make of the inherent quality. This is where the expert verdict is crucial. The price is a momentary reflection of value at that point in time. Even though value and price may be subjective in

¹⁰³ Grampp, *Pricing the Priceless*, 26.

the moment they are created they then become part of the objective history of the work. The general effect of this is that value and price both increase as they are accumulated over time. It is the economic side of the Avalanche Effect outlined in the introduction and in Chapter 3 on Connectivity.

The only issue I take with Grampp's findings is his argument on why economics has a place in the study of art. He contends that without the assumption of art being a maximizing activity (where everyone tries to get as much out of it at a given cost) economics has no place in the study of art. Whether it is a maximizing activity depends on whether the good is scarce. It is scarce if at a zero price, people want more of it than is available.

He pretends art is scarce. He says that even if few people value it they would want more, *if* it were available for free. This might be true but only if we presume a change in utility and enough space to put it. We can only derive so much enjoyment, instruction, pleasure etc. from art. We derive more of that the more we know about it and the better the art is. Therefore the problem is not that art as a product class is scarce but that art that gives us a return in these points is scarce. The utility change would be one where we do not appreciate art for the above qualities anymore but where we stockpile it because it has a value or might have a value but then that goes against the zero price part of the theory. This makes the question of quality all the more important.

Finally, what is remarkable in Grampp's book is his astute analysis and validation of Dr. Willi Bongard's tool of the *Kunstkompass*. He did a regression analysis of the data in

the Kunstkompass showing that the price of an artist's work was consistent with the points assigned to that artist in the Kompass. Notably he found that as the points increased by ten percent the price increased by eight percent.¹⁰⁴ While the Kunstkompass tracks thousands of artists¹⁰⁵, Grampp concentrated only on the published list of the Top 100. In Grampp's regression analysis the coefficient of aesthetic value was .59 with $t = 4.2$, and $R^2 = .25$. He then calculated the average price per "point of fame": in 1976 that was 0.018 Deutsch Marks or 1.8 pfennigs per point. Works with a price per point higher than the average were relatively expensive, those with a lower price were relative bargains. The divergence even in the Top 100 was considerable. A work from the artist placed at the top rank (Rauschenberg) cost 0.83DM or 83 pfennigs per point. The lowest ranked (Bernd u. Hilla Becher) at a price of 0.09 pfennigs per point, much less than even the average of 1.8 pfennigs.

II.3.2 Willi Bongard (? – 1985, Germany)

Willi Bongard held a Ph.D. in Economics and worked as the editor of the business section of Germany's most important weekly newspaper *Die Zeit* of Hamburg. In 1967 he is one of the first to take on the subject of art and economics in his book *Kunst und Kommerz* written after two years of study in the USA where he did research on how the

¹⁰⁴ Ibid., 33.

¹⁰⁵ The Kunstkompass tracks attention a work receives from experts by assigning a point value for inclusion in exhibitions. A solo exhibit will give more points than a group exhibit. An exhibit at the Museum of Modern Art will give more points than one at a regional art museum. All the points collected would be added up to "points of fame". Bongard then gave the price for a representative work of medium size in the primary market for each artist. Finally, he divides the points by the price to arrive at a ratio of points per dollar, or rather Deutsch Mark in that case. Also see the entry on Bongard.

art market functions. He was one of the first to write about the different players as they are categorized under the term “the four poles” in this dissertation. In 1970 he creates the *Kunstkompass* for the German economy magazine *Capital* of Cologne. The *Kunstkompass* is published once a year to this day. Since Bongard’s death in 1985 his widow Linde Rohr-Bongard, a journalist and artist, was in charge of the venture for *Capital*. Starting in 2008 Marek Claasen of artifacts.net applies a partly new methodology fit for the internet age and the *Kunstkompass* is published yearly by *manager magazine* of the Spiegel Gruppe, Hamburg.

Bongard’s ambition was to explain the correlation between quality and price and express it in a point system and ranking. As Grampp found out it worked pretty well. Bongard based his project on his belief that “art is a societal phenomenon, art is a social agreement – art is what is deemed as art in the conscience of only a select few, who are preoccupied with it.” (*Kunst=Kapital*, p.12) In this he sounds almost like Meyer Schapiro also thought of art as being a social phenomenon. Bongard deducted it was perhaps not possible to determine for a single person who is the better artist but it would be possible to question the experts on who they thought was important. Bongard defines “important” as “quality, degree of innovation and aura (Ausstrahlung)” by which he means whether an artist has an effect on other artists and whether there is a “certain continuity” in his/her work. He explicitly cites Vasari as an inspiration for this definition. This confirms all the criteria of the 3C Model. Change because innovation is important, Connectivity because attention and inspiring, connecting to other artists are important and, finally, the Context

criterion because Bongard weights the point system by who from which institution evaluates and by what kind of exhibit in what kind of institution an artist had. Bongard basically says that if we can document and retrace which artists get the attention of the experts we know who is important because art is a closed-loop system. For example a solo exhibit would give more points than a group exhibit and an exhibit at the MoMA of New York would give more points than an exhibit at a gallery, even an important one.¹⁰⁶

This is essentially a method of attention economics as it was possibly first formulated by Herbert Simon in 1971 (*Designing Organizations for an Information-rich World*) and has been getting more attention since IT and Management Professor T.H. Davenport and writer M. H. Goldhaber have written about it at the turn of the millennium. The basic idea is that attention is a social phenomenon just like art and that human attention is scarce thus economic principles can be applied to how and why attention is granted etc.

One could say that what Bongard does is offering a reception history and abstracting it into a point system. He quantifies attention. This is not a coincidental equivalent to what the art market does, namely expressing quality that cannot be expressed in words in a symbolic system of price, thus numerical points as well.

The main criticism that Bongard's *Kunstkompass* faced was that German, US and Swiss institutions were overweighed and that there were not enough data points. It was

¹⁰⁶ Linde Rohr-Bongard, ed. *Kunst = Kapital: Der Capital Kunstkompass von 1970 bis heute* (Köln: Salon-Verlag, 2001).

even reproached that he was not objective although he was not the one who decided who would make it onto the list. Clement Greenberg writes to Bongard in a letter: “Yes, Kunstkompass is not your list, but you certainly seem to be guided by it & guide it in turn. Otherwise, why not put Fuchs & Wyeth & Wunderlich & Hundertwasser on it? I’d love you to answer this directly & without Umschweifungen (without beating about the bush).”¹⁰⁷

The *coup de grace* that rendered the Kunstkompass completely infamous was that Bongard then applied a ratio of the points an artist had received to the price for a medium size work in the primary market. It is the equivalent of the price-earning ratio in financial evaluations of stocks. As William Grampp found out there was indeed a consistent correlation (see above).

With the Kunstkompass now in the hands of Marek Claasen, a former student of Bruno Frey, of *artfacts.net* and with the help of modern computer technology like spiders, programs that trawl the worldwide web for information, the information points will be multiplied and information for more artists can be traced quicker and over a larger geographical area. Thus the data should become even more reliable. It is crucial to note that neither the old nor the new version of the Kunstkompass track prices. They only track expert attention.

In the end, what is quantified is not directly quality but attention and connectivity. Moreover, it becomes possible to discern preferred arguments and opinion trends. It

¹⁰⁷ Ibid., 14.

would be useful to compare this data with quantitative analysis of how much ink scholars have spilled on a given artist and with how much media attention the artist received from both specialized and non-specialized media. David Galenson pursued a similar method in his paper *Masterpieces and Markets*, 2001 by counting representations in textbooks.¹⁰⁸ While this is a very intelligent approach, the conclusions drawn from it can be disputed because of the methodology used. Galenson tied fame to the number of representations in textbooks. He used only American textbooks and overlooked that art history may be taught differently in other countries, i.e. without the use of textbooks. Since fame for these artists is a global matter, a look only at the USA is too reductive. Moreover, when the decision is made to reproduce the work of one artist or another in a textbook, very practical factors may be decisive; for example which copyright is cheaper or which work is better and cheaper to print. Still the basic quantifying approach is interesting and comparable to Bongard.

II.3.3 Bruno S. Frey (born 1941, Switzerland)

Bruno Frey of the University of Zurich, Switzerland is one of the foremost economic scholars in what can be called “cultural economics” in general and “economics of art” in particular. In his book *Muses and Markets, Explorations in the Economics of Art* (1989)¹⁰⁹ written jointly with Werner Pommerehne, the authors give a good overview of

¹⁰⁸ David Galenson, "Masterpieces and Markets: Why the Most Famous Modern Paintings Are Not by American Artists," *Historical Methods* 35, no. 2 (2001).

¹⁰⁹ Bruno Frey and Walter Pommerehne, *Muses and Markets: Exploration in the Economics of Arts* (Oxford: Blackwell, 1989); Bruno Frey and Reiner Eichenberger, "On the Rate of Return in the Art-Market

the field and talk about the basic economic reflections and principles as applied to the art market. In this review, however, I concentrate on his book *Arts & Economics; Analysis and Cultural Policy* (2001). Of particular interest in the framework of this dissertation are what Frey says about factors that distinguish the art market from other markets, art as a consumption good and measuring the “psychic benefits” of this consumption, as well as methods of evaluating cultural property.

Frey proposes “that a major distinguishing characteristic of art markets is the greater importance of behavioral anomalies, i.e. of systematic deviations of individuals’ behavior from the von Neumann-Morgenstern axioms of rationality and, in particular, from subjective expected utility maximization.”¹¹⁰ This means in essence that rational behavior with monetary profit or even utility maximization in mind is not as preponderant in the art market as in other markets, particularly the financial market to which Frey compares it and which he declares more efficient. This is based particularly on the much higher transaction costs and taxes on art¹¹¹ but also on information asymmetry.¹¹² He also cites several studies, among them Stein (1977), Baumol (1986), his own (1989) and Goetzmann (1993), to posit that as far as we know at this point *in general* art gives a slightly lower return rate than government bonds and stocks.¹¹³ However, he also

- Survey and Evaluation," *European Economic Review* 39, no. 3-4 (1995); Bruno Frey and Reiner Eichenberger, "Returns on Art. Critical Evaluation and Psychic Benefits," *European Economic Review* 39(1995).

¹¹⁰ Frey, *Arts & Economics*, 162.

¹¹¹ *Ibid.*, 172.

¹¹² *Ibid.*, 164.

¹¹³ *Ibid.*, 161.

concedes that certain movements/-isms particularly of contemporary art can outdo the stock market very easily, citing a study by Ginsburgh and Penders of 1997, who have shown for the period of 1972-1991 that “the annual nominal rates of return on Land Art¹¹⁴ of 20 percent are similar to those of Conceptual Art (18.9 percent) and Minimal Art (23.8 percent) and even higher than for European Grand Masters (15.8 percent).”¹¹⁵

Still, what fundamentally drives the market for art is the psychic benefit for the private collector and the value of cultural heritage for the institutional collector, whereas the speculative collector who only wants monetary benefits would do better in a market with less behavioral anomalies.

So what is the psychic return and how is it measured? The psychic return is precisely the utility of art described by the scholars in the first chapter. It can be bringing truth, aesthetic and emotional pleasure, intellectual stimulation, pride, prestige etc. Art is at that point not merely an investment good but a very special consumption good; namely one where the positive effects of consumption in principle never end. Take food or wine for example which can yield similar benefits of consumption as those described above but once they are digested the benefits will wear off quickly and can only be renewed by consuming *new* food and wine. Yet for art the benefits are in principle always there and never exhausted.¹¹⁶ This, by the way, is one of the quality criteria in terms of

¹¹⁴ Art that has been conceived and thought of to be deliberately not marketable.

¹¹⁵ Frey, *Arts & Economics*, 169.

¹¹⁶ Art is a so-called durable good, whereas food is non-durable. One might go as far as saying that art and jewelry are the most durable goods. Both are also luxury goods but the evaluation of art is even more

Connectivity. The work that has consumption benefits, in other words an interest, for longer, for more people and more intense, is to be rated higher. The interest is first and foremost inherent in the work itself. Even if it ceases to interest one person it can still be very much of interest for another person – not so with digested food. Nonetheless, it is unusual for the art collector (actually it is defeating the definition of the collector) to only have one artwork for s/he craves new and different stimulation as much as the gourmet will desire different foods. In the 3C model this is the Change criterion.

Usually the psychic return is measured looking at the difference between what the return on a normal investment product is and by what the return on art is. As stated above, ordinarily the return on art is lower. The difference compared to the return on normal investments would be the psychic return. Unfortunately, this is not a really good measurement method because of the behavioral anomalies cited above; notably the private buyer who is not buying because s/he wants monetary profit and who does not consider opportunity cost but whose main objective is the psychic return. Frey proposes a combination of three approaches to evaluate and estimate (he does not use the word calculate) the psychic return.

The first is to *apply rental fees*.¹¹⁷ If the benefit/utility of the artwork comes from just looking at it, then one could simply rent a work. However, especially for the high price/high quality works there is basically no market for this. A work valued at USD 10 million

difficult because the product differentiation is not as easy. At the same time, the supply for diamonds and gold is exhaustible. The supply of art on the other hand, in the sense of creation not of availability, seems to go along with humankind.

¹¹⁷ See also Horst Dietze, ed. *Aspekte des Kunstverleihs* (Berlin Deutsches Bibliotheksinstitut, 1986).

would have an opportunity cost of for example 5 percent of its value. The money could yield quite easily 5 percent if invested in different financial tools. That would be USD 500,000 per year. In addition, there would be transaction cost, capital and insurance cost. The rental fee would thus be even higher than that. As a reason this is not done more often Frey cites the “ownership effect.” “An art object yields additional benefits if it is owned (and not just rented) because the object’s “aura” (see Benjamin 1963) is therewith appropriated.”¹¹⁸ It is thus clear that prestige and pride of ownership account for a large part in the experience art conveys. Moreover, it shows the cultural and moral value that society puts on art particularly apparent if we look at museums.¹¹⁹ This is also visible in the next point, willingness to pay, which is Frey’s second approach but which I would consider more important than that. It is another reason why simply renting an artwork is not interesting. One can reasonably presume that a person, who can spend USD 10 million on a work of art, also has access to a museum. If it was only about the pleasure of viewing art, an annual membership at the museum would be much more cost effective than buying the art yourself. That also explains the practice of loaning art to museums. One still has the utility of visual pleasure and also prestige and pride of ownership. But the latter two are actually enhanced because who owns it is very often published next to the work for all to see. Finally, the person loaning the work to the museum creates cultural and financial benefits for the museum and the community without incurring much cost at all. What is important here is the difference in degree of Connectivity

¹¹⁸ Frey, *Arts & Economics*, 170.

¹¹⁹ Museums can be seen historically as huge, institutionalized displays of conspicuous consumption that only the richest and most powerful could afford, be it the Church or a king or an industrialist.

between owning and renting an artwork. Thus Connectivity is an important criterion in the art market as well as art historically.

For the second approach of *willingness to pay* Frey mentions several surveys and analysis models that all aim at finding out what the citizens are willing to pay for either acquiring a work of art for the museum or for viewing the art at the museum.¹²⁰ He points out that it is important but difficult to separate the attractiveness of the building or the location of the museum from the benefits of actually viewing the work.¹²¹ It becomes apparent here that the market for museums is just as inefficient if not more so than the actual art market, largely for reasons of policy decisions, as I would like to illustrate with a personal example. In 2007 I visited the Royal British Columbia Museum in Victoria on Vancouver Island, Canada. Considering its rather remote location and small population it serves, it is a surprisingly well-endowed and well-run institution. I found the collection of Native North American art to be spectacular in size, scope and presentation.¹²² They also featured a particularly interesting and well-curated show on the Titanic; not art but of general cultural and historic interest. I was, however, at first dismayed that the entry fee was actually higher than what I had paid at the Louvre in Paris the same summer. In absolute terms the price of admission was well worth it, though not particularly accessible to all at around USD 22, if I recall correctly. Yet in relative terms, compared to

¹²⁰ As a matter of public policy these studies are in demand and there are several of them. However, studies on private individuals and their spending are lacking.

¹²¹ Frey, *Arts & Economics*, 171.

¹²² Several rooms with hundreds of artifacts, reconstructed environments as well as excellent museographic support in text, audio and video material.

the Louvre, the price was disproportionately high. Since there is no arbitrage possibility¹²³ between museums in two different countries I paid the price.

Frey's third approach to determining the psychic benefit of art is by looking at *prices for copies*. He talks specifically about copies that are close to perfect but that are not themselves collectible items. This would be the case for the copies made in the Dafen suburb of Shenzhen in Southern China where an entire industry exists that copies basically whatever famous painting the client wishes. Prices there are based on labor cost, talent of the artist and supply/demand, just like in the "original" art market. The copies are literally picture perfect but they cost a mere fraction of what the real and unique work would cost, namely because there is not just one, they are not the original and there is no innovation. This goes to show how hugely important factors like originality, scarcity and innovation are. These factors can be subsumed under the criteria Change and Connectivity. Besides, in Chapter 11 of his book he actually states that fakes or reproductions are to be seen as a rather positive thing if legal reproductions are intended.¹²⁴

Lastly, in his chapter on Evaluating Cultural Property Frey discusses various methods of evaluation, notably impact studies, willingness to pay and Contingent Valuation.

Impact Studies simply measure the economic revenue or cost created by a cultural

¹²³ Arbitrage would mean to obtain the same product cheaper elsewhere. This is possible for example with wristwatches and electronics that are priced differently in different geographical areas. They can then be re-imported and sold at lower prices than the products originally intended for the market.

¹²⁴ Frey, *Arts & Economics*, 191-93.

property. Willingness to pay is as described above. Contingent Value studies are the most interesting but also the method fraught with the most vagaries as they are based on surveys of individuals, ideally conducted in person. This is what Pierre Bourdieu did for his *Distinction*. While Frey is critical of such studies, he emphasizes that they are particularly suitable to determine so-called non-use values, such as psychic benefits. Most importantly, he points out that this type of study can allow to measure quality, not just quantity saying:

A frequent accusation by ‘arts people’ is that economic approaches can only measure the quantity of art but not the quality. Contingent Valuation proves such accusations to be wrong. The number of visits to a theatre, a museum or a monument is only one part; it has to be weighted by how highly a visit is valued by the individuals concerned. Moreover, non-use values are also integrated. The respective evaluations are compared to alternatives, in particular to the other uses of tax funds or to lower taxes and higher private consumption.¹²⁵

II.3.4 Peter Oberender (born 1941, Germany)

Prof. Peter Oberender was until 2007 the Ordinarius for Economics, Dean of the Faculty of Law and Economics at the University of Bayreuth, Germany where he still works as a Professor. The article discussed here was written for a book called art investor in which experts from all four poles try to tackle issues related to quality and evaluation of art.¹²⁶ They do use questionnaires for artists, collectors and people in the art world. The book was published in 2002 by Finanzbuchverlag, Munich.

¹²⁵ Ibid., 186.

¹²⁶ Oberender and Zerth, "Einführung in die Makroökonomie der Kunst ".

In his article Oberender first states that the determining factors of the demand decision can be divided into two basic categories: economical factors and aesthetic evaluation.¹²⁷

This is the most basic part of my reflection and was one of the starting points for the dissertation.

Oberender then posits that the prices are the result of unimpeded supply/demand and that the art dealer acts in his own economic interest and that of the artist. Furthermore he states that the art market acts according to the opportunity cost model and reacts accordingly to the availability of other investments goods.

I cannot entirely agree. The dealer might act on his own profit first because the price development is hard to foresee and thus s/he will probably try to maximize profit over a short amount of time. Even if one presumes that the short amount of time is as long as the dealer's remaining estimated lifetime (say 60 years at most), this is a rather short period compared to the overall factual life of the work in terms of conservation and market life in terms of the work's potential of being a commodity as long as it exists, e.g. ancient Egyptian artifacts. After all, contemporary art becoming ancient art is mostly a matter of time. Consequently, what may look like profit maximization on a long-term basis from an economic standpoint becomes short-term because of the quasi-infinite shelf-life of the product. The question of quality evaluation becomes important already at this stage. If the work is of "durable" quality, i.e. museum quality, a long-term relationship makes more sense and the production and marketing strategy will change. On the other hand,

¹²⁷ Ibid., 68.

presuming that the dealer is not altruistic and that the artist does not partake in profit from future sales (which is the case in France for example), one can assume that the dealer will indeed try to maximize profits at least over his/her life-time.

Furthermore, Frey above has eloquently argued that opportunity cost and even financial gain is very often not a prime motivator of private collectors and institutional buyers.

Oberender stresses the problem of information asymmetry and speaks in favor of a system that can help balance this asymmetry and bring transparency to the market.¹²⁸ It is the entire passage quoted already in the introduction. In this sense, he writes about a kind of monopolistic supply competition on the supply side of the art market due to the heterogeneity of goods and the diverse evaluation of art. It is monopolistic (competition) because it presupposes an information imbalance toward the supply side because only that side knows how much is created and how to evaluate it.¹²⁹

This is a very important point for me. It is true that, in general, there is a certain elite that makes decisions about the evaluation and price of an art work.¹³⁰ Those are the four poles outlined in the introduction. The collector-buyer is supposed to have the least knowledge (farthest away from the production side) and thus depends on the three other poles (artist, scholars, media) in his/her decision making. However, the collector-buyer is not without power. S/he is so to speak the control instance. If s/he does not buy it at this

¹²⁸ Ibid., 70. As was said above reliable experts can help to alleviate the problem of information asymmetry.

¹²⁹ Ibid., 69.

¹³⁰ See Bourdieu, Robertson and Dickie.

price the price has to go down (or up for another target group) – the power of refusal is directly related to the willingness to pay principle. The buyer could also buy work from another artist in the same price range or work in a lower price range by the same artist. This is where a particularly American phenomenon is interesting: fashion and price hype in contemporary art. This is possible in an economic situation where the potential buyer is so affluent that the price/value relation becomes less important and what becomes more important is to have a certain work or a certain artist at the right time, be it for re-sale or prestige. Social distinction and belonging to a certain milieu are of great value here. While there maybe a significant information asymmetry concerning the production and evaluation of art, there is almost no asymmetry when it comes to knowing what the peers collect. This creates peer pressure, out of which comes fashion as an instrument to define inclusion and exclusion. On the other hand, it also creates a demand for new art in order to distinguish oneself even further from the peers. It is the Change criterion at work. In that sense it also counteracts the Renewal Dilemma. But on the other hand, one would not want to distinguish oneself too much for fear of exclusion. As a result this reveals another facet of the Anchor Phenomenon, this time on the buyer side: where an artist should integrate connection points into the work that allow the work to be linked back to other periods or works that offer additional connectivity, the buyer may also want to consider this and rather buy a work that is not completely outlandish. This is particularly true for institutional and public buyers where certain subject matters might be viewed as “inappropriate” by the general public and by the people who give the money to buy the work. This is the economical side of the Change and the Connectivity criterion. It is here

that the art market, the creation of art and the art historical evaluation are inseparably linked.

II.3.5 Xavier Greffe (no dates available, still alive in 2011, France)

Xavier Greffe is Professor of Economics at the Sorbonne University of Paris (Paris I) where he directs the Ph.D. program in Economics and specializes in art economics. In his 2002 book *Arts and Artists from an Economic Perspective* he gives a very complete overview of the micro-economics, the cultural policy, the philosophy and the intrinsic economic character of artistic activity and its value for the “economic and social development of society”.¹³¹ His views are similar to those of Grampp and Frey, if informed somewhat more intensely by knowledge of European philosophy.

The part that is most relevant for this dissertation is when he discusses what the factors are that determine the value of a contemporary painting.¹³² In this part, he bases his statements on a dissertation defended at the Sorbonne in 1997 by N. Moureau aiming at a “détermination endogène de la qualité” in relation to contemporary painting and on studies done by Frey and Pommerehne, published in *Muses and Markets*.

The following paragraphs will address each of the factors he mentions.

¹³¹ Greffe, *Arts and Artists*, 1.

¹³² Ibid., 169-171. All quotes on pages 101 to 103 come from this continuous part of Greffe.

“The first factor responsible for the price difference is the style.” This is essentially a fashion hypothesis based on trends and the relative scarcity of works within a certain “-ism”. It confirms the Anchor Phenomenon, the Renewal Dilemma and the importance of innovation as well as the importance of belonging to a school. The Anchor Phenomenon in the art historical sense means to be categorizable. Once an artist is categorized s/he will be easier to market because of that anchor that links the artist to a bigger group. At the same time, it confirms the Renewal Dilemma because once an artist is successfully marketed in one style/category the cost and risk of changing categories is fairly high. The importance of the Change criterion is self-evident because the styles alternate. The market prefers different styles at different points in time. This is particularly important for a speculative approach to investment. It is otherwise interesting from an ontological perspective in art history.

Grefe continues:

The second basis for price differentiation would be the importance of the artist's earlier work. This refers to the number of exhibitions in which he/she has participated and the number of awards he/she has received. Similarly, the time that has elapsed since his/her first exhibition is also a factor that adds to the value, as information about the artist and his/her works is available for a longer period.

Here we see a number of factors grouped together that can be subsumed under the Context criterion of time, space and people. All of these factors are work external and have nothing to do with the quality of the piece. They are also quite easily quantifiable. Having such easily quantifiable criteria in the 3C model increases its validity. It also goes to show the importance of establishing a market and having a track record in the interest of receiving more attention.

The third proposition is that “if he/she works in three different mediums of the visual arts, e.g. painting, sculpture and graphics, he/she has a greater artistic value than other artists who work only in one medium.” This may seem incorrect at first and too general. However, one must remember that Greffe talks about contemporary art here. Particularly in contemporary art, though in principle in any art, it is interesting to compare different mediums by a single artist. From the case studies in this dissertation one could easily compare Gerhard Richter with Andreas Gursky and find the proposition entirely true. It is indeed a matter of the Connectivity criterion. More mediums mean more connectivity mean higher value. Interestingly, this is also true on the market side, for more mediums mean more possibility for exposure, more output and more diverse price points as well as more flexibility to react to a temporary or local market preference for a particular medium. Again this is perfectly quantifiable and has a bearing on the artistic and the market evaluation under the Connectivity and Context criteria. It is further born out by an econometric analysis of one hundred artists studied by historians from 1971 to 1981 conducted by Frey and Pommerehne.¹³³

“A final criterion is the price fetched by the artist’s works during the latest sale of his/her works, which would mean that the price is determined through recurrence or regression.” Looking at auction records and the simple fact that it is necessary to set a price through sale according to supply/demand principles and willingness-to-pay, this

¹³³ Frey and Pommerehne, *Muses and Markets: Exploration in the Economics of Arts*.

criterion is entirely plausible.¹³⁴ It is a well-known practice that dealers and galleries buy or even buy back works at auctions at artificially high prices to prevent a decrease of prices in the primary market or to actually set a record to justify higher prices in the primary market. The latter however represents considerable cost and high risk and is therefore certainly rarer than the former. I would actually argue that this criterion is one of the most important in terms of actual pricing. Once a quality level has been established and the career of an artist builds, prices will generally increase with each new price point set. The more an artist is established the rarer a complete devaluation of his/her work will be. Partial devaluations concerning a particular work or series of works due to circumstances addressed by the Context criterion are always possible. Even devaluations based on the Connectivity criterion, namely that an artist goes out of fashion, can happen and can actually afflict the aggregate value of his/her production. But these instances are so rare that they do nothing but confirm the rule. Besides, in an economy of attention, attention can be artificially created by all four poles and thus the value and the price can be influenced deliberately, even more so since there is no real, i.e. legal, balance of powers between the poles.

¹³⁴ For references on auctions see the following: Orley Ashenfelter, "How Auctions Work for Wine and Art," *Journal of Economic Perspectives* 3, no. 3 (1989); Orley Ashenfelter and Kathryn Graddy, "Auctions and the Price of Art," *Journal of Economic Literature* 41, no. 3 (2003); Beggs and Graddy, "Anchoring Effects." Also see the website www.artprice.com for auction records. It is the biggest data source of these records available.

II.3.6 Olav Velthuis (born 1972, Netherlands)

Olav Velthuis is Assistant Professor in the Department of Sociology and Anthropology at the University of Amsterdam. His award-winning book *Talking Prices: Symbolic Meanings of Prices on the Market for Contemporary Art* was published Princeton University Press in 2005.

He discusses pricing principles in-depth and refers mostly to the Dutch and the US gallery market. The most relevant thing for this dissertation is Velthuis affirming and arguing that price itself has a function beyond setting an exchange value for goods against money. He refers to Harvey Leibenstein when he says: “My findings confirm the existence, for instance, of what Harvey Leibenstein called a “Veblen effect”: the utility which consumers derive from art not only depends on its inherent qualities, but also on the price paid for it.”¹³⁵

Indeed, the Veblen effect for luxury goods and art is well documented. A higher price can actually increase demand because there is a work external utility for the buyer in a conspicuous price. So the price itself, independent of the artwork has to be looked at for an evaluation. This goes along with what I called the Iceberg Symptom above, where the price is seen as the most salient feature of the artwork. However, the work external utility of prestige or cultural capital¹³⁶ bestowed on the buyer is itself a positive externality that simply comes with art, as explained in the first chapter relating to inherent quality and

¹³⁵ Olav Velthuis, *Talking Prices: Symbolic Meanings of Prices on the Market for Contemporary Art* (Princeton: Princeton University Press, 2005), 164.

¹³⁶ See Pierre Bourdieu, "The Forms of Capital," in *Handbook of Theory and Research for the Sociology of Education*, ed. J. Richardson (New York: Greenwood, 1986).

value of art. One could question whether prestige and cultural capital gained from the possession of art are actually merely positive externalities or whether they are one of the main utilities derived from art and possibly intended to be derived from it already when the work is created.

He then moves on to talk about signaling theory and cites Joseph Stiglitz:

The overarching argument is, in the words of Stiglitz, that “price serves a function in addition to that usually ascribed to it in economic theory: it conveys information and affects behavior” When this information concerns the quality of goods, disequilibrium situations may persist: when the price is lowered, demand may decrease rather than increase, since the lower price can be interpreted as a signal of lower quality.¹³⁷

I shall add that the price also has the function of partly alleviating the oft-cited information asymmetry if one accepts prices as a symbolic expression of value. The price has a symbolic meaning relating to the quality and the value of the work but also to the work external social benefits bestowed on the buyer.

Usually, when converting one form of capital into another, e.g. labor to financial capital, there is at best an equivalence of value reached after the transaction. Very often there might be even a loss due to “friction” and inefficiency of conversion. However, when converting economic capital to cultural capital by buying contemporary art, there is a direct benefit in form of cultural capital and social status, plus there are many positive externalities: economic and personal like actual tax benefits or cultural and publicly economic benefits like keeping the cultural production active, conserving cultural goods and sponsoring the creation of new goods. Finally, there is at least the possibility of

¹³⁷ Velthuis, *Talking Prices*, 169.

financial gain through price increases for the work in a future sale. It is a win-win situation with the potential to become a triple win: personal benefit in pleasure and cultural capital, personal, potential benefit in monetary terms and benefits of societal and economical order for society and the market at large.

II.4 THE WINNER-TAKE-ALL EFFECT IN THE MARKET FOR POSTWAR AND CONTEMPORARY ART

A classic example is high fixed cost to get a talented (sport) star but relatively low cost to get another viewer/customer. With relatively few stars one can satisfy the entire market in basketball for example. In the art market this has to be seen in a more differentiated way, just the few top selling artists, would not satisfy the entire market. However, by numbers the Winner-Takes-All phenomenon still applies. That means that the top tenth percentile of artists sold in auction generates around fifty per cent of the sales (see graphs and appendices). Very talented artists are eager to sell their work, there are plenty of them and it is not difficult to buy them. Inversely, it does cost a lot of money to be in the right places and have the right allure for customers to want to buy. These costs are reflected in the usual 100% gallery mark-up.¹³⁸ The overall market also has to be seen in a differentiated way. On one hand, it is very global in the sense that both primary and secondary dealers for contemporary art can be found almost everywhere. On the other hand, as we saw for economic agglomerations, there are centers for the sale and the creation of contemporary art. Compared to the total number of cities that would in principle have the right profile to be a market center, the actual number of cities is rather small.¹³⁹ So determining a WTA phenomenon can only be done restricting the criteria to a certain group of artists and for a market where reliable sales records exist: in this case

¹³⁸ Of a work that sells for \$10,000 in a gallery, the artist usually receives half, \$5,000. The other half is used to cover the cost and profit for the gallery. For younger artists the part the gallery takes may be even higher. For more established artists it may be lower.

¹³⁹ New York, London, Paris, Hong Kong, Berlin come first and foremost.

artists sold in the Postwar and Contemporary Category, for whom auction records exist. Determining a WTA phenomenon for the entire art market of any and all art worldwide in the primary and secondary market is virtually impossible due to the lack of data. A customer can go anywhere to buy work from a particular artist. As stated above, there might be at least three to five options for buying work from one specific artist. That does not even count the options of other artists that produce work of a similar quality. Thus in principle there should be plenty of substitutes. However, in the auction market out of more than 2400 auction houses counted and analyzed by the French market research firm *artprice*, the top two auction houses Christie's and Sotheby's account for roughly three quarters of the yearly turnover.¹⁴⁰ This constitutes a pronounced WTA market distribution to start with, if two firms out of more than 2400 generate more than 75% of the overall turnover. Out of the artists sold there from 2006 to 2010, a very pronounced WTA effect can be declared. When the total value of sales in each year is divided into percentiles, the group of artists that occupies the top 10th percentile will account for at least 50 per cent of the total value. This is usually a group of ten to thirteen artists out of a larger group of 100-120 artists. The larger group is extracted from the Top 500 best-selling artists each year, focusing on the Postwar and Contemporary category. For example in 2010, out of the Top 500 best-selling artists 94 were in said category.¹⁴¹

¹⁴⁰ According to the biggest art price research company *artprice.com*.

¹⁴¹ I further restricted the artists to artists living and working in the US, Europe and Latin America. I did not consider artists in Asia, Africa, Australia or the Middle-East because I wanted to concentrate on the so-called main-zone. See Chapter 3.

Together these 94 artists totaled sales of USD 1,197,688,838.¹⁴² The tenth percentile of value is occupied by ten artists. These ten artists, out of the total, account for sales USD 722,310,451. That is 60.3 per cent of the total. The other 84 artists shared the other 39.7 per cent. Even among the top ten artists those ranked at 1 and 2 take a proportionately much higher part than the lower ranked artists in the top ten. So the WTA effect goes from the overall market to each value/ price percentile. Andy Warhol is the overall winner each and every year in this sample. The next best-selling artist usually only makes a third or a fourth of the turnover of the top artist. For 2010, Andy Warhol alone counts for USD 313,535,564. So a single artist is responsible for 43.4 per cent of the total in the tenth percentile. The subsequent artists and USD values for 2010 are:

Roy Lichtenstein	112,531,769
Gerhard Richter	67,031,150
Jean-Michel Basquiat	63,915,859
Jasper Johns	40,882,481
Jeff Koons	36,220,252

Thus it becomes obvious that even among the already characteristic WTA distribution of the total sample a similar WTA effect takes place within the tenth percentile sample.

What does that mean for art history and for the validity of the 3C Model? For art history it is actually the same effect: We face an almost unlimited or at least un-knowable number of artists. Yet those that make it into art history books are very limited, those that make it into textbooks even more so. Finally, those that make it through the centuries as

¹⁴² As a comparison, in 2007, which was the best year in this sample, sales from 120 artists totaled USD 1,806,329,374.

“stars” can actually be quite easily counted. Even in terms of art historians there will be those whose influence is greater over time. They could be counted and ranked by the number of their own publications and by the number of times they are cited, as well as by their endurance, meaning how long after their death they are still cited. It is quite likely that the WTA effect will be seen in that ranking as well. It also goes to prove that those artists at the top in terms of price and sales are universally regarded as art historically important and a lot has been written about them by art historians.

For the 3C Model this means that there is a group of top artists that can be used as a reference group. From the artists chosen in this dissertation as case studies, all belong at one point to the Top 100. Richter and Koons usually belong to the Top 10 over the past 10 years.¹⁴³ Interestingly, the rankings offer a high degree of congruence to the rankings of the *Kunstkompass*, which does not take into account market success but only attention from institutions. Thus one could use that reference group to assign a 100 point scale for each criterion of the 3C to the top artists. If this is done, one will see that those artists that rank at the top in art historical attention and in market success will score very highly (95+) in each criterion. This proves that the 3C Model is an effective tool in evaluating artists both from the viewpoint of art history and from the viewpoint of the market. It further proves that the criteria of the market and art history, when they are distilled as in the 3C model, are indeed the same. This explains the congruency of art historical and market attention.

¹⁴³ The global auction results for the years 2002 – 2010 can be referenced at www.artmarket.com/trends-2010.html . The results are compiled by the French market research firm artprice.com.

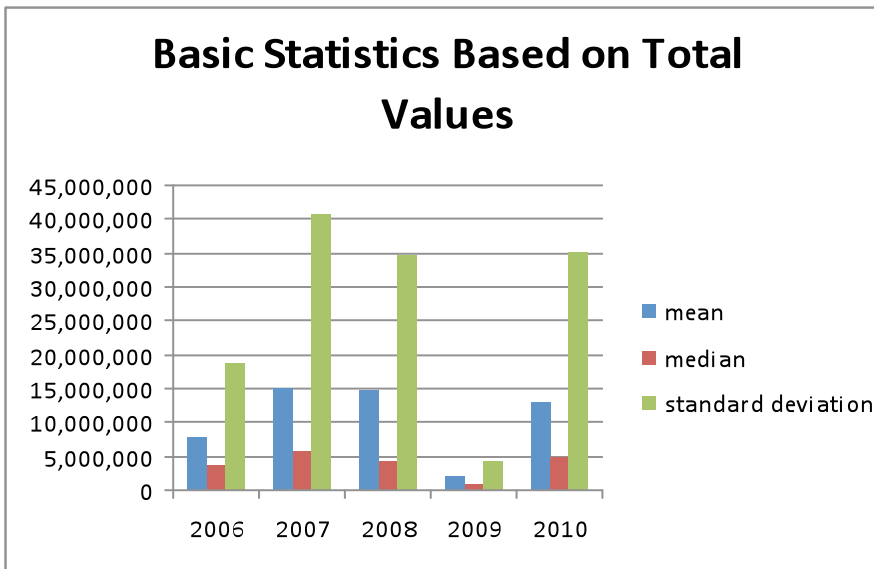


Fig 1: Basic statistics based on Total Values

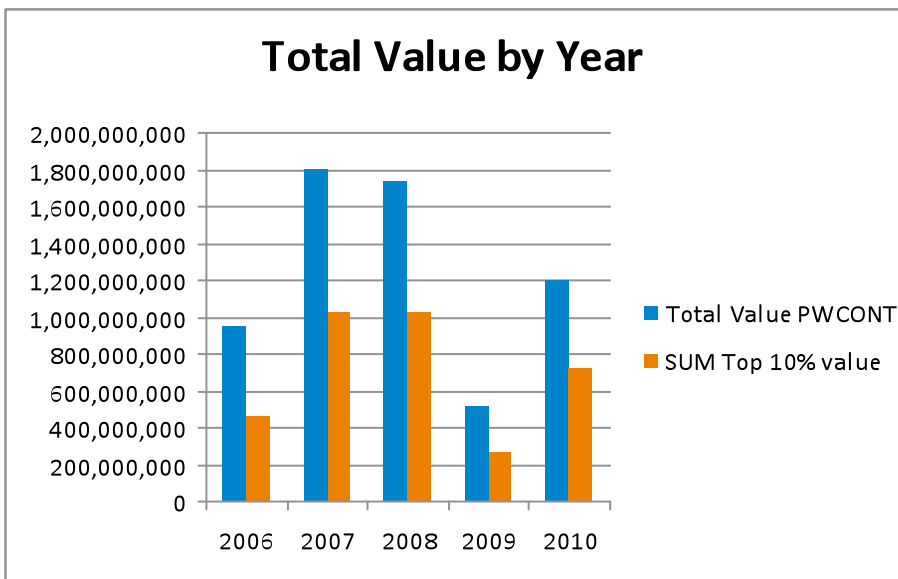


Figure 2: Total Value by Year

Percentile Top Hammer prices by Year					
	2006	2007	2008	2009	2010
lowest	<u>110,000</u>	169,201	130,000	75,000	170,000
20th	423,637	529,542	496,660	335,640	459,952
40th	700,000	855,372	803,480	610,000	931,000
60th	1,162,560	1,500,030	1,500,000	991,740	1,600,000
80th	2,000,000	3,900,000	3,500,000	2,478,000	3,700,000
top	15,500,000	64,000,000	30,000,000	39,000,000	56,500,000

Table 2: Percentile Top Hammer Prices by Year

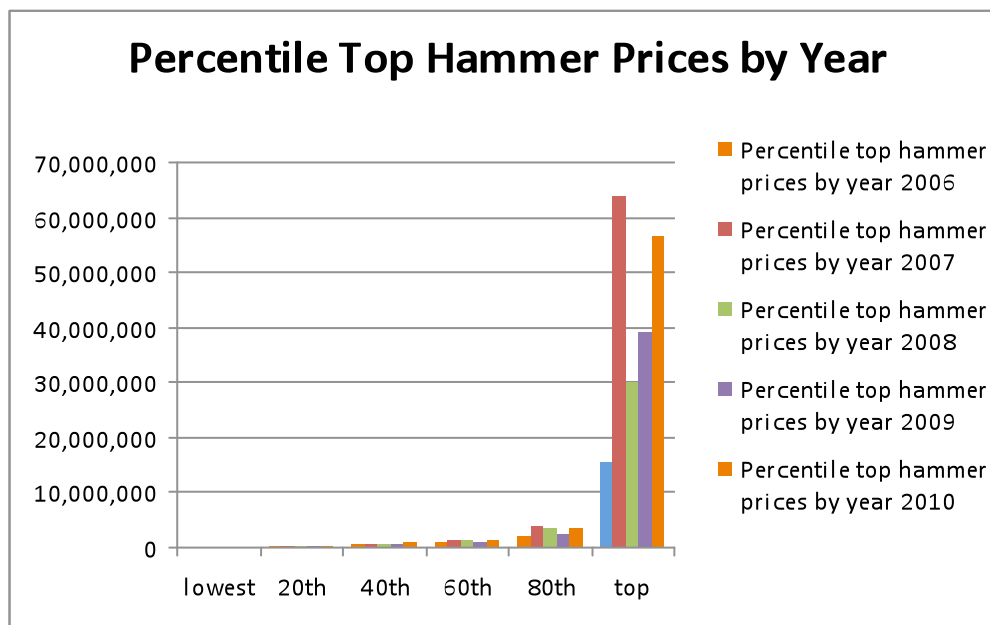


Figure 3: Percentile Top Hammer Prices by Year

These figures indicate the highest hammer price for the given percentile ranks in the given years. The top hammer at the 100 percentile is the highest hammer price that was paid in that year for one specific work. The increase in price when one goes from the second highest to the highest price is staggering and evidence for the WTA effect.

Percentile Top Values by Year					
	2006	2007	2008	2009	2010
lowest	1,735,544	2,544,825	2,025,383	1,342,492	2,168,203
20th	2,383,368	2,955,159	2,495,458	1,537,803	2,727,476
40th	3,170,000	4,724,481	3,600,175	2,517,114	4,210,924
60th	4,766,047	7,754,630	5,495,016	4,250,242	6,351,658
80th	8,395,421	14,892,648	10,344,899	7,340,723	11,230,122
top	199,392,442	422,250,350	236,749,034	106,829,556	313,535,564

Table 3: Percentile Top Value by Year

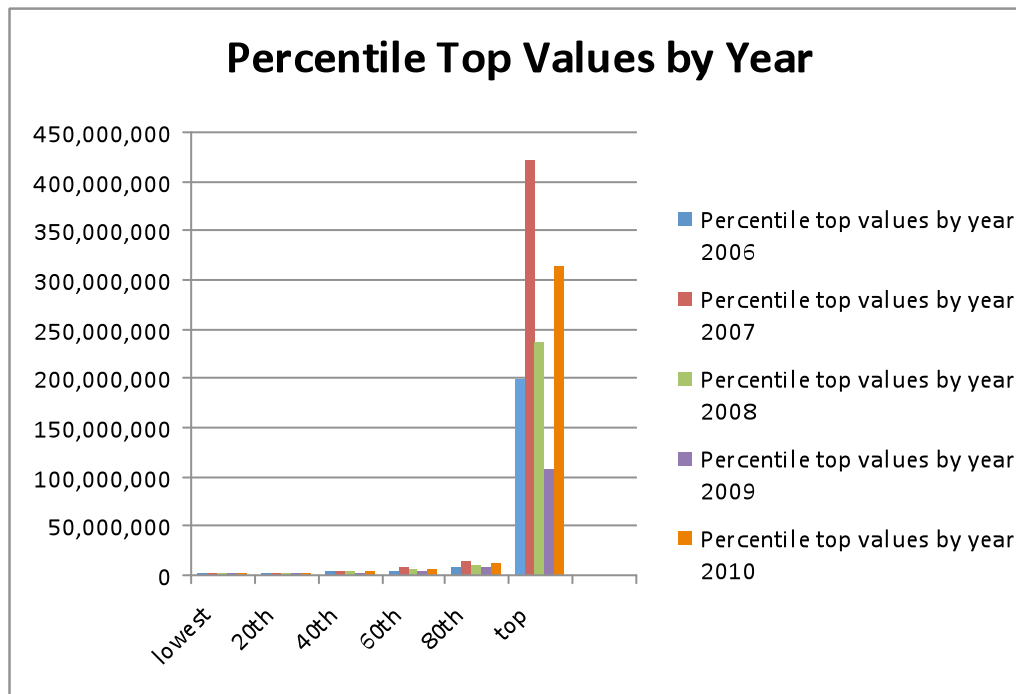


Figure 4: Percentile Top Values by Year

These figures show the value of total sales in the Postwar and Contemporary category ranked in percentiles for each given year. To the 80th percentile in 2007 for example all the works sold below that point were valued at USD 14,892,648. The 100th percentile indicates the total sales in each year, of course. When the value of everything that is sold in the 80th percentile is subtracted from the value of total sales, it becomes apparent that most of the value is generated in the top 20th percentile. Again, evidence for WTA.

II.5 THE EFFECT OF THE STOCK MARKET CRASH 2008 ON THE AUCTION MARKET

2006 and 2007 were excellent years for the market of Postwar and Contemporary Art. In fact, 2007 was the top year. Results published by Christie's and Sotheby's show that also the first half of 2008 was still very good. During the month of August no auctions take place at these houses. The response of the auction market to the stock market was almost immediate but not quite. When Lehman Brothers declared bankruptcy on September 14, 2008, Hirst had a two-day, single person sale at Sotheby's, London totaling USD 200.7 million.¹⁴⁴ However, the subsequent sales in 2008 were much lower than the record sales of the previous year. The real downturn set in only in 2009 when total sales in the PWCONT category went from USD 1,738,082,997 to USD 517,396,496; in essence sales were divided by factor three. This can also be seen in terms of prices, not only in terms of turnover. When compared to the S&P500 values which had a decrease of -38.49 per cent from 2007 to 2008 (last day of trading), the average weighted price in the auction market for PWCONT went down -20.41 per cent. The effect in the auction market comes with a slight delay because in 2009 the average price

¹⁴⁴ Carol Vogel, "Bull Market for Hirst in Sotheby's 2-Day Sale," *New York Times*, September, 16, 2001 2008. The article was fittingly illustrated with a photograph of *The Golden Calf*, Hirst's top seller in this sale USD 18.6 million.

went down from USD 156,569.95 to 72,636.44, thus a decrease of -53.61 per cent. Over the same time, the stock market had already picked up again by 23.45 per cent.¹⁴⁵

¹⁴⁵ See below for graphs and tables.

II.6 THE RELATIONSHIP BETWEEN THE ART MARKET AND THE STOCK MARKET

What is the relationship between the art market and the stock market? Since both markets are traded claims on durable assets, they should be linked. Thus, we should expect them to be positively correlated. The extent to which one market leads the other or vice versa is a more difficult question. If these were financially efficient markets, it would be impossible to disentangle causation from one to the other.

However, some insight can be gleaned from the asymmetry that stock markets are almost continually traded on business days while art markets are less transparent and are less frequently traded. There is limited data available on art prices from the major auction houses. There are problems with price indices of art prices, particularly covering long enough periods of time. The yearly detailed data on the total value of art sales at Sotheby's was not available. However, a crude measure of overall activity in the art market can be obtained by the total value of all art sales as done in chapter II.4. Since Sotheby's and Christie's together account for 75% of the overall market, Christie's figures alone allow a first insight into the correlation of the stock market and the auction market. The total value of art sales in the Postwar and Contemporary Auctions at Christie's semi-annual art auctions was collected from November of 2000 through November of 2011. The numbers are only for the New York sales to allow for a direct relation with the US S&P 500 index. Table 1 provides 23 observations of those values along with values of the S&P 500 stock price index for days immediately before and immediately after those auctions.

There is another reason to suspect that art and stock market prices are indeed connected. That is that there is a high concentration on the buyer side; meaning that very few buyers (less than 100 worldwide) are responsible for a majority of the sales value. This means that these buyers are certainly so-called high net worth individuals. Their fortunes wax and wane in function of the stock market, since it is save to assume that people in this economic stratum are indeed invested in the stock market. They will also very likely have advisors for both the stock market and the art market. Thus we can speak of rather informed buyers. It is equally sensible to deduct that when they see a potential for a decrease of the stock market this will influence their art buying decisions in one way or another. The same is true for when the stock market is doing very well and they have a higher amount of disposable money. The result is compounded by the fact that these buyers are also largely the sellers of top art work. Thus when the stock market goes down, all of a sudden not only does the demand in the auction market go down because there is less money around but also the supply drops because the sellers know that it is not a good time to sell when nobody has money to buy.

Since the players involved at an auction know all of the stock price changes from the previous auction onward, we would expect that information to be fully impounded into the prices paid for art at an auction; in this case auctions at Christie's. Thus, the next to the last column in Table 4 shows the percentage change in the S&P 500 from the day after the previous auction until the day before the current auction; a six month period. The last column in Table 4 shows the percentage change in the total value of art sales at Christie's from the previous auction to the current auction. Figure 5 shows that there is a

significantly positive correlation between the S&P changes since the last auction and the changes in the value of total art sold. The limitation of this analysis is that the S&P 500 is a price index while the art measure is the average art price times the quantity of art sold. This caveat on the interpretation of the results is driven by the aforementioned limitations in art price indices. I interpret this as weak evidence of a causal link between stock market prices and the liquidity of the art market as measured by the total value of art sales.

Causation the other way – from art market to the stock market is more difficult to disentangle. However, knowledge can be gained from the fact that only fragmentary knowledge is available from occasional sales in the art market in the periods between major auctions. The real knowledge of changes in liquidity in the art market; i.e. the total value of sales since the last auction, is only available at the completion of the current art auction. Thus, a test of changes in art sales and their effect on the market is shown in Table 5.

The next to the last column in Table 5 shows the percentage change in the total value of art sales at Christie's from the previous auction through the current auction. The last column shows the percentage change in the S&P 500 index from the day before the current auction through the day after the current auction. Auctions usually take place mid-week so that markets are open and information about the auction results can be obtained in real-time just as well as information about the market tendencies. Since the uncertainty about the change in the value of art sales is not resolved until during the

current auction, that percentage change in art sales should affect the S&P 500 during the auction itself. A test of the correlation between the last two columns did find a positive correlation but it was not statistically significant. However, that insignificance appears to have been driven by the first two observations in the sampled changes. The Nov 2000 to May 2001 change may have been affected by the onset of the 2001 recession and the May 2001 to Nov 2001 change may have been driven by the events of September 11 in 2001. If I drop both of those observations, a significantly positive correlation emerges between changes in the value of total art sold and the S&P changes during each auction. Those results are shown in Figure 6.

The caveat here is that I am only correlating change in stock prices as per SP500 and total sales of art only in one category from one auction house. But this work suggests a methodology for future work that might explore mutual causation between these two markets.

NB: The research and analysis in this sub-chapter was helped by suggestions of Prof. Stephen Magee.

Exact Days of the Auction	Value of art sold at the Christie's auction	Pct Change in Art Sold since the previous action	Date One day BEFORE the auction	Date One day AFTER the auction	SP 500 Index One day AFTER the auction	SP 500 Index One day BEFORE the auction	SP 500 Index One day AFTER the auction	Pct Change in S&P during the auction	Pct Change in S&P from day after the previous auction till day before this auction	Pct Change in Art Sold in this auction compared to the previous auction
11/15 and 11/16/2000	87,491,227		11/14/2000	11/17/2000	1,367.72	1,382.95	1,367.72	-1.10%		
5/15 to 5/18/2001	77,683,264	-11.21%	5/14/2001	5/21/2001	1,312.83	1,248.92	1,312.83	5.12%	-8.69%	-11.21%
11/13 to 11/16/2001	43,818,989	-43.59%	11/12/2001	11/19/2001	1,151.06	1,118.33	1,151.06	2.93%	-14.82%	-43.59%
5/14 and 5/15/2002	60,499,215	38.07%	5/13/2002	5/16/2002	1,098.23	1,074.56	1,098.23	2.20%	-6.65%	38.07%
11/13 and 11/14/2002	84,204,065	39.18%	11/12/2002	11/15/2002	909.83	882.95	909.83	3.04%	-19.60%	39.18%
5/14 5/15/2003	88,990,856	5.68%	5/13/2003	5/16/2003	944.30	942.30	944.30	0.21%	3.57%	5.68%
11/11 11/12/2003	85,046,771	-4.43%	11/10/2003	11/13/2003	1,058.41	1,047.11	1,058.41	1.08%	10.89%	-4.43%
5/11 5/12/2004	128,064,395	50.58%	5/10/2004	5/13/2004	1,096.44	1,087.12	1,096.44	0.86%	2.71%	50.58%
11/10 11/11/2004	124,728,240	-2.61%	11/9/2004	11/12/2004	1,184.17	1,164.08	1,184.17	1.73%	6.17%	-2.61%
5/11 5/12/2005	172,900,600	38.62%	5/10/2005	5/13/2005	1,154.05	1,166.22	1,154.05	-1.04%	-1.52%	38.62%
11/8 11/9/2005	212,091,200	22.67%	11/7/2005	11/10/2005	1,230.96	1,222.81	1,230.96	0.67%	5.96%	22.67%
5/9 5/10/2006	205,784,440	-2.97%	5/8/2006	5/11/2006	1,305.92	1,324.66	1,305.92	-1.41%	7.61%	-2.97%
11/15 11/16/2006	315,994,000	53.56%	11/14/2006	11/17/2006	1,401.20	1,393.22	1,401.20	0.57%	6.68%	53.56%
5/16 5/17/2007	477,751,600	51.19%	5/15/2007	5/18/2007	1,522.75	1,501.19	1,522.75	1.44%	7.14%	51.19%
11/13 11/14/2007	418,078,650	-12.49%	11/12/2007	11/15/2007	1,451.15	1,439.18	1,451.15	0.83%	-5.49%	-12.49%
5/13 5/14/2008	414,011,950	-0.97%	5/12/2008	5/15/2008	1,423.57	1,403.58	1,423.57	1.42%	-3.28%	-0.97%
11/12 11/13/2008	152,712,050	-63.11%	11/11/2008	11/14/2008	873.29	898.95	873.29	-2.85%	-36.85%	-63.11%
5/13 5/14/2009	125,438,625	-17.86%	5/12/2009	5/15/2009	882.88	908.35	882.88	-2.80%	4.01%	-17.86%
11/10 11/11/2009	117,963,450	-5.96%	11/9/2009	11/12/2009	1,087.24	1,093.08	1,087.24	-0.53%	23.81%	-5.96%
5/11 5/12/2010	198,740,175	68.48%	5/10/2010	5/13/2010	1,154.44	1,159.73	1,154.44	-0.46%	6.67%	68.48%
11/10 11/11/2010	340,594,125	71.38%	11/9/2010	11/12/2010	1,199.21	1,213.40	1,199.21	-1.17%	5.11%	71.38%
5/11 5/12/2011	367,425,350	7.88%	5/10/2011	5/13/2011	1,337.77	1,353.16	1,337.77	-1.14%	12.84%	7.88%
11/8 11/9/2011	291,289,825	-20.72%	11/7/2011	11/10/2011	1,239.70	1,261.12	1,239.70	-1.70%	-5.73%	-20.72%

Table 4: SP 500 drives Auctions

Correlation from the May 2002 auction through the November 2011 auction: 0.4126 – significant at the 0.05 level for the one-tail test.

Correlation from the November 2000 auction through the November 2011 auction: 0.1108 – insignificant

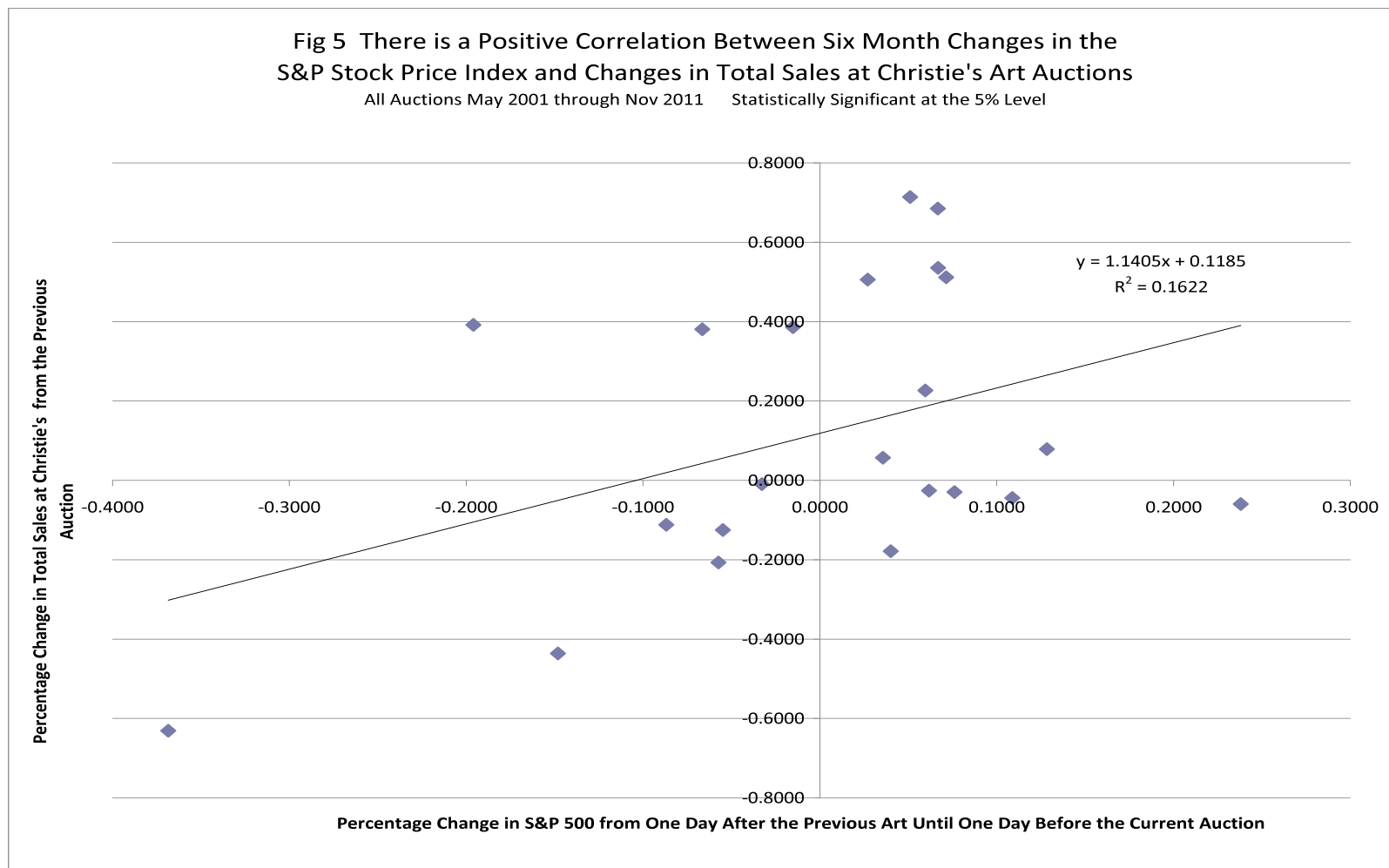


Figure 5: SP 500 drives Auctions

Exact Days of the Auction	Value of art sold at the Christie's auction	Pct Change in Art Sold since the previous action	Date One day BEFORE the auction	Date One day AFTER the auction	SP 500 Index One day BEFORE the auction	SP 500 Index One day AFTER the auction	Pct Change in S&P during the auction	Pct Change in Art Sold compared to the previous auction	Pct Change in S&P during the auction
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11/13 to 11/16/2001	43,818,989	-43.59%	11/12/2001	11/19/2001	1,118.33	1,151.06	2.93%		
5/14 and 5/15/2002	60,499,215	38.07%	5/13/2002	5/16/2002	1,074.56	1,098.23	2.20%	38.07%	2.20%
11/13 and 11/14/2002	84,204,065	39.18%	11/12/2002	11/15/2002	882.95	909.83	3.04%	39.18%	3.04%
5/14 5/15/2003	88,990,856	5.68%	5/13/2003	5/16/2003	942.30	944.30	0.21%	5.68%	0.21%
11/11 11/12/2003	85,046,771	-4.43%	11/10/2003	11/13/2003	1,047.11	1,058.41	1.08%	-4.43%	1.08%
5/11 5/12/2004	128,064,395	50.58%	5/10/2004	5/13/2004	1,087.12	1,096.44	0.86%	50.58%	0.86%
11/10 11/11/2004	124,728,240	-2.61%	11/9/2004	11/12/2004	1,164.08	1,184.17	1.73%	-2.61%	1.73%
5/11 5/12/2005	172,900,600	38.62%	5/10/2005	5/13/2005	1,166.22	1,154.05	-1.04%	38.62%	-1.04%
11/8 11/9/2005	212,091,200	22.67%	11/7/2005	11/10/2005	1,222.81	1,230.96	0.67%	22.67%	0.67%
5/9 5/10/2006	205,784,440	-2.97%	5/8/2006	5/11/2006	1,324.66	1,305.92	-1.41%	-2.97%	-1.41%
11/15 11/16/2006	315,994,000	53.56%	11/14/2006	11/17/2006	1,393.22	1,401.20	0.57%	53.56%	0.57%
5/16 5/17/2007	477,751,600	51.19%	5/15/2007	5/18/2007	1,501.19	1,522.75	1.44%	51.19%	1.44%
11/13 11/14/2007	418,078,650	-12.49%	11/12/2007	11/15/2007	1,439.18	1,451.15	0.83%	-12.49%	0.83%
5/13 5/14/2008	414,011,950	-0.97%	5/12/2008	5/15/2008	1,403.58	1,423.57	1.42%	-0.97%	1.42%
11/12 11/13/2008	152,712,050	-63.11%	11/11/2008	11/14/2008	898.95	873.29	-2.85%	-63.11%	-2.85%
5/13 5/14/2009	125,438,625	-17.86%	5/12/2009	5/15/2009	908.35	882.88	-2.80%	-17.86%	-2.80%
11/10 11/11/2009	117,963,450	-5.96%	11/9/2009	11/12/2009	1,093.08	1,087.24	-0.53%	-5.96%	-0.53%
5/11 5/12/2010	198,740,175	68.48%	5/10/2010	5/13/2010	1,159.73	1,154.44	-0.46%	68.48%	-0.46%
11/10 11/11/2010	340,594,125	71.38%	11/9/2010	11/12/2010	1,213.40	1,199.21	-1.17%	71.38%	-1.17%
5/11 5/12/2011	367,425,350	7.88%	5/10/2011	5/13/2011	1,353.16	1,337.77	-1.14%	7.88%	-1.14%
11/8 11/9/2011	291,289,825	-20.72%	11/7/2011	11/10/2011	1,261.12	1,239.70	-1.70%	-20.72%	-1.70%

Table 5: Auctions drive the SP 500

data omitted in statistical test #2	11/15 and 11/16/2000	-0.1121	0.0512
	5/15 to 5/18/2001	-0.4359	0.0293

For the omitted days the numbers in the left column are percentage change in art sold compared to the previous auction, expressed in decimal values. Thus for example -0.1121 means -11.21%.

Fig 6 There is a Positive Correlation Between Six Month Changes in Total Sales at Christie's Art Auctions and S&P 500 Stock Index Changes During the Auction
All Auctions May 2002 through Nov 2011 Statistically Significant at the 5% Level

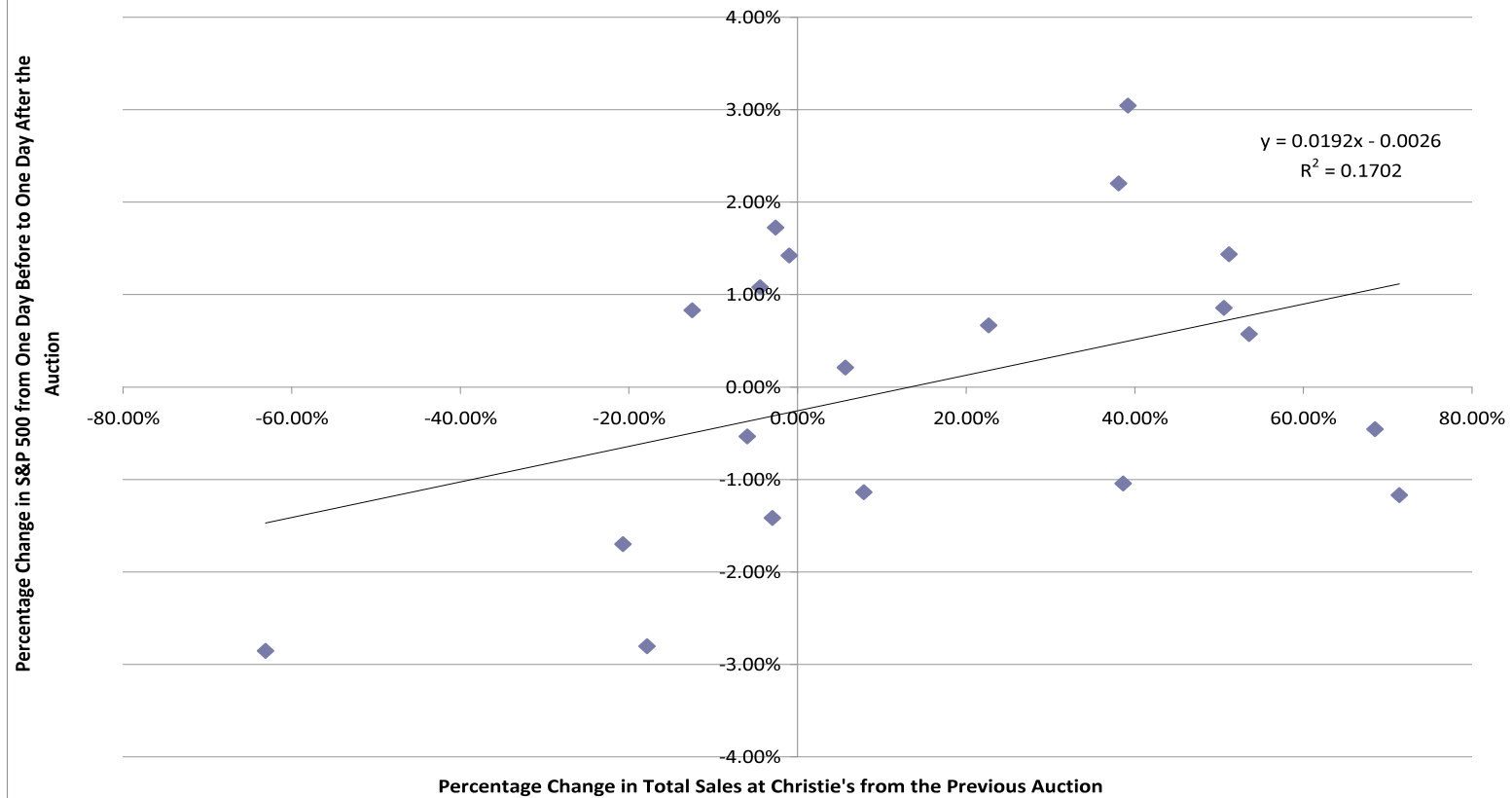


Figure 6: Auctions drive SP 500

II.7 CONCLUSION CHAPTER 2

The art market is like a lens through which we can see the aggregate value of art quantified. It is even quite a highly resolving lens since it accounts for and adapts to many of the particularities of this type of good. Like an actual optical lens there might be distortion on the edges and there is only a certain focus range where the depicted objects will be sharp but the center is clearly in focus.

At the center is the Quality-Value-Price-Paradigm, namely that price is an expression of value and quality. In order for the QVP Paradigm to work, it is essential to separate the often conflated notions of quality and value. Quality is inherent in the work. It is largely the connectivity that allows the work to garner and hold attention both in the market and in terms of art historical interest and public interest. Quality is the potential for value. Value is a social and economic construct. “The aesthetic value of a good is the result of a judgment of its quality.”¹⁴⁶ Value is not only aesthetic or artistic. It can be societal and/or cultural, too.¹⁴⁷ It can be artificially constructed and influenced by the four poles. It is subject to change but forms itself a historic record and becomes part of the reception history of the work just like the price. Price is then the momentary quantification of value in a convertible and comparable unit that is both abstract and concrete. Abstract in that it is the expression of many factors that are all summed up without distinction in the price - concrete in its quantifiable and comparable aspects.

¹⁴⁶ Greffe, *Arts and Artists*, 14.

¹⁴⁷ See Hutter and Throsby, eds., *Beyond Price: Value in Culture, Economics and the Arts*. And Russell Keats, *Cultural Goods and the Limits of the Markets* (London: Macmillan Press Ltd, 2000).

It should now be clear how quality relates to value from an art historical and aesthetic perspective and how value and price are created by the four poles. It is apparent that the criteria of Change, Connectivity and Context of the 3C Model as outlined in the introduction are essential both in the market and for the art historical evaluation.

The third chapter will address each criterion in detail and give examples drawn from a group of artists that is representative of the market for high-end contemporary art.

III. Chapter 3: The 3C Model

THE 3C MODEL – AN INTRODUCTION

Correlation of market price and art historical appreciation in most cases leads us to conclude that the monetary price of an artwork and its art historical value are linked. The correlation is not always one of linear proportionality, but overall the link can be regarded as well-established. George Dickie, William Grampp, Olav Velthuis and David Galenson all concur on that point. The living artists whose works fetch the highest prices are also regarded as those that garner the most critical and scholarly acclaim, such as, Jasper Johns, Gerhard Richter, and Lucien Freud. The reverse is usually true, too. The work of artists who are well regarded by scholars, who enjoy inclusion into the most exclusive permanent institutional collections, is also the work that will in general fetch higher prices than the competition that does not benefit from the scholarly attention. In this sense, though, more exceptions exist. There will be artists that are art historically well regarded and whose works are in important museums but their prices will not be very high. This is then often due to market factors. For example some Russian artists that have always been in high regard achieve high prices only now that there are Russians who are actually able and willing to pay those high prices – the Context criterion addresses this point. In practice, this means that value and quality are not the same thing, even if the terms are often used interchangeably. However, they are very closely related.

I differentiate between quality, value and price, and will expound on the QVP Paradigm below in addition to the definition given in the introduction.

Quality is defined here as properties inherent to the artwork. These properties can be objective such as state of conservation, rarity or color. Yet they can also be rather subjective such as beauty or topical relevance.¹⁴⁸ In between objective and subjective might be the criterion of authenticity, where the experts' opinion has a direct influence on value and price and can go both ways. Hence Quality is the work's inherent potential for value. It is the *subject* of an evaluation.

Value is defined here as the evaluation and appreciation of Quality. Value is how the quality of an artwork is perceived from the outside. The work itself will have very little intrinsic value – only insofar as being classified as art which is regarded as intrinsically valuable - but it has qualities that make its evaluation possible. The evaluation and thusly the value of a work can change over time and may vary in different cultures and countries. Quality and Value are so intricately linked that the value verdict itself could be seen as quality, which is where the confusion regarding the two terms stems from.

Also, Price is not Value. Price is a momentary and local expression of value. It is a translation both symbolic and abstract but at the same time it makes very intangible values very concrete, which is why art has become a commodity used in exchange against other goods, services or money.

¹⁴⁸ See Shusterman, *Pragmatist Aesthetics : Living beauty, Rethinking Art* ; Alexander, *Beauty and Other Forms of Value*; Elizabeth Prettejohn, *Beauty & Art: 1750 - 2000*, Oxford History of Art (Oxford: Oxford University Press, 2005).

Hence, quality is bound to stay constant, whereas value and price may fluctuate, in fact, they normally do fluctuate. Again a correlation is visible in that the work that has received the highest and most praise for its quality normally will not have to endure major downward fluctuation of value estimation or price. Consequently, Value is what leads from intrinsic Quality to realized Price. It is not the only factor determining price, as shown in Chapter 2, but it may well be the main factor because the perceived value relates directly to the willingness-to-pay.

The question at the core of all these considerations is: What is it that makes an artwork valuable in both art historical and market terms?

The answer I propose is that the main quality (Q) of a valuable work of art, as defined above, is a product of three main factors or criteria that can be divided into subcategories. The explanation and argument of why these criteria are the most important will be at the center of this chapter.

The three factors are: Change, Connectivity and Context creating the equation $Q = C \times C \times C = 3C$. Q in this equation does not refer to the inherent quality of the artwork. Q refers to the product of factors that constitute value.

These three principal factors make up the majority of the value calculation. It is imperative to concede that there are some pre-requisite factors that have even greater leverage but that are taken for granted because without them value creation is either

impossible or severely impeded. These factors are authenticity, rarity, and state of conservation already named above. The most striking Picasso would be regarded with disdain and its value vaporized if, in fact, it was not painted by Picasso or if the canvas was shredded beyond recognition. By the same token, rarity is a significant factor because a multiple will always be considered of lesser value and importance than a unique piece of equal artistic quality by the same artist. The fact that art having an object character largely prevails to this day is directly related to the rarity argument. Price records and a general attitude towards multiples that can be called “stiefmütterlich” (step-motherly) speak volumes about this fact. Thus, for the sake of simplicity, the art discussed here mostly has unique object character with the notable exceptions of photography in the case of Andreas Gursky and video art in the case of Pipilotti Rist.

So how is value created? At the origin, it is the artist who creates the work which is the core of the value. We can justly speak of artistic capital thinking of the individual’s capabilities, resources used and of the work as the product of an artistic and economic process.¹⁴⁹ Yet the subsequent and historic value of the work is generated by the artworld around it, based on work-inherent criteria, e.g., a particular subject matter or style, and work-external criteria, e.g., whether the work is shown in certain exhibits or discussed, favorably or not, by certain historians and critics.¹⁵⁰

The value of an artwork can be of art historical and/or market order. Very often, but not necessarily, the two go hand-in-hand and rely on each other. Inclusion in museum collections and

¹⁴⁹ cf. Grampp and Greenberg

¹⁵⁰ Cf. Danto and Dickie

textbooks, art historical and critical reviews of the work, and its success in the market are all expressions of value because they manifest appreciation and approval. They build the historic record of the work. The historic record itself is an important part of the value equation and is usually lacking in very contemporary work. The same is true for the price record. However, the fact that there is an increased interest in contemporary art from an economic standpoint means that there are also more publications about contemporary art. Since the Internet offers a platform for presentation, communication, and exchange that is virtually immediate and limitless as well as economically affordable, more historic record can be built faster than ever before. This trend is likely to continue and has an accelerating influence on the market.

William Grampp's studies show that:

the value which the market places on works of art is consistent with the judgment which is made of their esthetic quality, a term I use to mean beauty, historical importance, or any attribute other than price. In saying that economic and esthetic values are consistent, I mean that if outside the market painting A is said to be superior to painting B then on the market the price of A will be higher than B. ¹⁵¹

In studying the artworld, it becomes evident that in the case of high art; the art world is a relatively hermetic and self-referential system. This is to the point where one can justifiably ask whether the scholar or museum is actually "outside the market" as Grampp puts it. The agents or poles, as I call them, of this artworld system are the ones who decide whether something will be

¹⁵¹ W.D. Grampp, *Pricing the Priceless*, New York: Basic Books Inc., 1989, 38.

accepted or denied as having high quality and also to which degree it will appreciate both art historically and monetarily. Adam Lindemann¹⁵², from the collector/gallery perspective, and Alan Bowness¹⁵³, from the museum/scholar perspective, agree that there are four poles:

- A. The Artist
- B. The Market
- C. The Scholars and Museum
- D. The Media

All four poles constitute a system that decides about the work and thereby generates value. As an example, works that are exposed in reputed galleries and museums generally not only receive more critical and art historical attention but also fetch higher prices. Validation has an effect on valuation. Also, it is evident that this mechanism could be triggered at a different starting point. For instance, the work that receives the best reviews and publicity will find a better gallery and will be more likely detected by curators and scholars. Or even more likely, the artist who gets accepted into the stable of a more renowned gallery will receive more reviews, thus more attention, thus more exposure, thus a greater chance of selling, thus higher desirability and prices, thus more money to continue creating and staying in the market, thus more long-term exposure, and finally, the chance to place some work in a museum. The museum is still seen as the ultimate mark of approval, even if recent practices and collations between museums and collectors or the market undermine the integrity and thus the value of the “museum quality”

¹⁵² Adam Lindemann, *Collecting Contemporary* (Köln: Taschen, 2006).

¹⁵³ Alan Bowness, *The Conditions of Success: How the Modern Artist Rises to Fame* (New York: Thames & Hudson, 1990).

seal.¹⁵⁴ Furthermore, it is only natural that the four poles are not entirely separate and that, as a consequence, the system is less than transparent. This becomes even more apparent when we look at the market where it is difficult to obtain prices from the primary market in the first place, and where prices from the secondary market are not necessarily the result of a “virginal” supply/demand equation. Each of the four poles is influenced by each of the three Cs.

It is self-understood that verdicts of value are not as objective as the chemical laboratory analysis of a glass of water. However, these four poles are the ones that create, augment, distribute, and preserve value and that a verdict pronounced by this system is objectively valid within this system and likely outside of it, since nobody outside the system has the power to make decisions that would overrule the decision made by the four poles.¹⁵⁵ This is why I called the system hermetic and self-referential. Consequently, given the self-referential and hermetic nature of the artworld, it is within its confines that the analysis of the system must be carried out and must be valid. - Montesquieu would be appalled at this glaring lack of separation of powers. Evaluation, be it aesthetic or financial, is a process of decision-making. Decisions are based on criteria that must be conscious and thus objectifiable at least after the decision is made.¹⁵⁶ Hence we are able to create a tentative model of the system and a model of the decision process for the purpose of illustration and analysis.

¹⁵⁴ For example when art dealer Jeffrey Deitch was made Director of the Los Angeles Museum of Contemporary Art. See Randy Kennedy, "Museum Role Fits a Former Art Dealer," *New York Times*, June 30, 2010 2010.

¹⁵⁵ See the discussion in the section on Greenberg on intersubjectivity.

¹⁵⁶ Greenberg, *Homemade Esthetics*, 59.

The 3Cs are understood as the main factors in both the experience of the artwork and the formation of value based on that experience. If the value is rooted in the experience, it is only logical that these factors are connected, too.

III.2 CHANGE

Change is a major factor in the 3C model for three reasons.

Firstly, art, as an exploration of the human condition and as a discipline, is based on change and thrives on it. There would be no sense and no challenge in always doing the same thing for the same reasons. Hence, artists usually like to change. It is only human to try to avoid boredom to the point that even in academism and pharaonic art slight changes can be detected. Particularly, one can presume that the artist who is a creative person by definition is inclined to prefer change over constancy. Yet, one could say that being established in the market prevents an artist from change and is thus an impediment to the artist's career and artistic development in general. Nonetheless, once an artist is at the top of his or her game and has found a trademark style, this style is exploited without much change. Consider the examples of Lichtenstein and Serra. I call this the "Renewal Dilemma." The signature style of an artist is what identifies the artist, and it is based on formal criteria that are successful. As a consequence the artist will in most cases continue that style as long as it works. Any change in style can be considered an investment of energy that could more efficiently be used for something that is already known to be successful. Change is risky but change also harbors the possibility of improvement. Yet

rare are the artists who change their style completely and even rarer those who are equally successful in several styles be they concurrent or subsequent. Gerhard Richter is possibly the most prominent example after Picasso for an artist who has worked in a number of completely dissimilar styles and whose works are at least close to equal in appreciation and value. Nonetheless even with Picasso and Richter a market preference notable in better sales and higher prices exists for certain works; in the case of Richter it is his blurred photorealistic works that garner the highest prices, based on the auction records from 2006 to 2010.

Since the Renewal Dilemma is almost inevitable it is important - for the evolution of art as a category of human activity and for the continuation of the art market - that change come in the form of new talent in the subsequent generation of artists. Therefore, Change is a significant criterion for art history and for the market.

The second reason is that not only do artists want to see change in their works and want to be different from other artists but also viewers want to see differences between different works and different artists. If one of the main qualities of art in which its value resides is the fact that art can stimulate emotionally and intellectually, i.e. the experience of art, then this stimulation can best be driven by change. An impulse that does not change will soon become boring and uninteresting. However, the viewer wants and expects art to be fascinating and ever-changing. If art did not change this would also influence its uniqueness which is one of the main market criteria, as explained below.

Variation and difference create attention. This is the third reason why change is important. The human mind will register and remember things that are sufficiently known to be noticed but that stand out from the rest. If something is radically new in concept and/or appearance, one might not even perceive it; much less recognize it because there is no category in which one can fit it. This helps to explain the initial reaction of alienation or disapproval that many revolutionary or avant-garde works receive. Ideally, a work will be connected to other works but be sufficiently different to catch the viewer's attention and develop its own recognizable identity. Looking at the best-selling artists this is the case for all of them.

I call this the “Anchor Phenomenon.” A work should be different from comparable works but still have grounding: an anchor, to tie it to a larger context and make a categorization possible. If a new category has to be created and other works then fill in this category, it is just the better. The Anchor Phenomenon also plays directly into Connectivity, the second C in the model.

Change means distinction and the possibility of recognizability for the viewer in comparison to other works. Change that brings distinction relates directly to recognizability and originality; both are very important criteria for art history and for the market. For art history it determines the degree of inventiveness and for the market it constitutes the artist's unique selling proposition (USP), there will be no direct substitute

for the artist's goods.¹⁵⁷ It is thus important for an artist to create works that are sufficiently different from comparable works by other artists but which still are connected by a number of recognizable traits, be it thematic, formal or technical, that constitute the individual and distinctive style of an artist by which the artist can be identified through the work and by which one artist is distinct from another. This is one of the distinguishing traits of artists like Jeff Koons and Gerhard Richter, for example. Each of their work groups may be radically different but each of their work groups, within the group, has a very high recognizability and a style that transcends the different work groups or media and thus allows a connection of the artist to be made. For Richter this typical feature may be the marked contrast between obfuscation/blur on one side and a scalpel-sharp precision on the other. At first sight the blurred landscape painting (e.g. *Abstraktes Bild*, 1987, Oil on canvas, 62 x 72cm, Niedersächsische Sparkassenstiftung)¹⁵⁸ with swats of paint raked and scraped over them have nothing in common with the color-chart paintings (e.g. *1025 Farben*, 1974, 254 x 254 cm, Enamel on canvas, Louisiana Museum, Denmark). That is until one experiences the blurred vision caused by colliding charts that are seemingly precise, opposed to experiencing a very exact application of paint in works that at first glance appear blurred at best. For Koons a typical trait would be the clash of high and low art and the reference to popular culture and imagery as well as to historic sources that can be found in all of his works from the floating basketballs (e.g. *Three Ball Total Equilibrium Tank*, 1985, Tate, London) to a Limoges porcelain

¹⁵⁷ This relates to the discussion of product differentiation and monopolistic competition in Chapter 2.

¹⁵⁸ Published in Gerhard Richter. *Landschaften*. Exhibition catalogue of the eponymous exhibition at the Sprengel Museum, Hannover. 1998. Hatje Cantz Verlag. Ostfildern-Ruit. P. 94

sculpture of *Michael Jackson and Bubbles* (1988, Ceramic, 106.68 x 179.07 x 82.55 cm, Los Angeles County Museum of Art). Coincidentally change is even a theme in all these works – specifically change of vision and proportion - except perhaps the Michael Jackson sculpture and even that is aimed at eternalizing something as supposedly ephemeral as a pop star, thus halting change.

Looking at Change is indeed one of the traditional art historical approaches. The works that garner the most interest are very often those that announce or bring about some kind of change: the first of a kind, a pivotal work or a seminal work. One of the mainstays of art historical analysis is to look at how systems evolve, what influences them and how they change, so the above observations including change are necessary for this kind of analysis. Interestingly, the only other kind of work that gets similar, even though probably not quite as much, attention is the so-called classical work, i.e. a work that embodies all the characteristics of a certain style, that is fully worked out and pure. A classical work provides the highest degree of recognizability and distinction. One could say that there is no element of change in such a work, but if analyzed in a cyclical fashion all change works toward the classical point as a pinnacle and then starts again. In this sense, the classical work is the epitome of change, the quiet eye of the storm so to say. Even if a rhizomatic or a linear model is used, the classical work will stand out among other works in the net or line. This may explain why the market accords higher appreciation to those classical examples. Of course, these works, being recognized as classical and thus often owned by museums as examples of high cultural value, are so desirable that they are rarely sold. That is a perfect case in point of how art historical

value and market value can be interdependent. This is true not only for the position of a work in art history relative to contemporary works by other artists but also for the position of a work as situated among the oeuvre of a single artist. For example, among Gerhard Richter's works the blurred photo-realistic works are among the most distinctive. Among those works the *Candle* paintings stand out. These works are also among Richter's most expensive pieces even though they are not the biggest.¹⁵⁹ The bigger photorealistic landscapes have a tendency to sell for less, as do the even bigger, monochrome grey behind glass paintings. This is important to note because usually size is a main factor in pricing works by the same artist based on the premise that all the work should be of equal quality.¹⁶⁰

Historical distance is naturally lacking for contemporary art but the general tendency of a system, in which change is inherent and inevitable, is the same. The acceleration of production and consumption makes for an even faster turnover, as documented by the spawning art fairs and biennials worldwide in the past ten years from 2000 to 2010. The avant-garde work of today may be the classic of tomorrow and obsolete the day after. One might say that the question then is whether the idea of "classical" still makes sense. After all the term usually implies something that is the *best* (cf. Greek: *klassikos* = the best) or something that has stood the test of time. This only underlines the difficulty of

¹⁵⁹ The work *Zwei Kerzen* (Two Candles), 1982, Oil on Canvas sold for the record price of \$15,787,128 in 2008 at Christie's. Source: <http://www.christies.com/about/press-center/releases/pressrelease.aspx?pressreleaseid=4314>

¹⁶⁰ Velthuis, *Talking Prices*.

determining value for a work without critical distance. We need that distance to see if the work really was different or really brought about a change. That can only happen reliably in hindsight with critical distance and a view of the entire field. However, when the verdict is made, the Change criterion is valid and important to determine value. Thus Change not only relates to what one sees but also to what happens to the work and the artistic production of a given time period. Change must be viewed not only as an aesthetic phenomenon but also as a function of time and space. Hence the connection to the third C of the model: Context.

The significance of the Change criterion for a contemporary verdict is actually heightened by the fact that it is best determined with critical distance. If we can detect a change with critical distance it means we can be quite certain that it is really a change. But if a change is immediately detectable, even without the critical distance, it means the difference is most likely so profound that it will leave a mark also on a longer historical timeline. The market, being even more sensitive and volatile than the academic field, will respond more readily to such a change. In this sense, it is justifiable to say that the market has an *indicator function* for art historical significance of contemporary art. The increased sensitivity is what allows the indicator function. The greater sensitivity stems from a denser network of players in the field and from the fact that the players' financial gain or loss is more significant and is realized much faster. In addition, those same reasons also make for the inherent volatility of the market which experiences the acceleration of production and consumption to an even greater extent. This means that

while the market for contemporary art can have an indicator function, the reliability of this indication has to be seen critically. Just because a certain artist is very successful soon after emerging on the primary and secondary market, does not mean that this artist will also make a significant contribution to art history.

Nevertheless, the possibility of an artist being even discovered and written about increases exponentially with market success because the four poles of the artworld are interdependent. In this sense, a change of market presence and price can mean a change of frequency and level of art historic attention. Oftentimes, the price of an artwork is what actually incites discussion and is then related to artistic merit or rather non-merit, as can be seen in the cases of Jeff Koons and Damian Hirst. This is part of the Iceberg Symptom explained in the introduction, where one's attention will first be seized by the price and only afterwards does the work come into consideration. Even though Koons and Hirst have been around for more than twenty years, critics, scholars and the market still wonder whether they are over-priced and whether their works are here to stay.¹⁶¹ Both artists make sure through the sheer scale and expensive technique of their works that their pieces will not be easily discarded. The Metropolitan Museum can hardly flush a shark down the drain, literally and figuratively. The pure fact that this work¹⁶² is

¹⁶¹ Over the last 20 years critics like Kimmelman and Hughes have loathed Koons. Critic Peter Schjeldahl paints a more balanced picture (http://www.newyorker.com/arts/critics/artworld/2008/06/09/080609craw_artworld_schjeldahl) but curators like Francesco Bonami, who was in charge of the 2008 retrospective at the Chicago Museum of Contemporary Art, sing his praises. The show broke the museums visitor records and concurrently to the retrospective Koons' Balloon Flower (Magenta) sold for a record price of \$25,765,204 at Christies, London.

¹⁶² Damien Hirst, *The Physical Impossibility of Death in the Mind of Someone Living*, 1991, Tiger Shark in Formaldehyde in steel and glass container

exhibited in the same museum that houses the greatest treasures of civilization from Ancient Egypt to Monet and not in the more chronologically limited Museum of Modern Art speaks for the appreciation of the work. Moreover, it speaks volumes about the influence of collectors on art history.¹⁶³

On a smaller scale, the range of factors that can be affected by change in the work itself is almost limitless, but the most important are: subject matter, style, technique, medium, size, and concept. Andreas Gursky is an example where almost all of these changed, which helps explain his quick ascension to the top of contemporary photography. Some modifiers might apply but they only validate the example. For instance, one might say that photographs of this size have been produced before but not as art photography, with the exception of Jeff Wall who used a different technique and achieved a very different look with entirely different subject matter. Wall's own changes were not as radical for the light box and staged photographic scene are age-old methods dating to the very beginnings of the medium. His benefit was that no one was using it the way he did. C-Print and Diasac mounting, however, as used by Gursky, were brand new to the medium and offered unknown possibilities of size and appearance. The large size and glossy, high-contrast appearance of his works were ideally suited to represent exterior and interior spaces and their structures and microstructures. His works are like a

¹⁶³ The work was given as a loan by the Cohen Collection to the Metropolitan Museum between 2007 and 2010. http://www.metmuseum.org/press_room/full_release.asp?prid={3687750C-3006-4D83-8BD6-8FC5CB67FCA6} It was reportedly bought by Cohen from Saatchi in 2004 for \$8,000,000 and has not been resold since then. It will be interesting to see how the price for this most famous work of Hirst develops in the future.

loupe onto the world.¹⁶⁴ In the late 1990s the high-resolution imaging and printing techniques were forebears of the High Definition (HD) age, then in its infancy, of entertainment and communication. These techniques were so up-to-date that they made Jeff Wall's light boxes seem like decade-old CRT television compared to the latest plasma flat screen. Notably, all of his successful colleagues of the Becher's pupils from Düsseldorf, Germany, used the same or similar techniques because then the only company able to produce photographs of this size and quality using this technique was located in Düsseldorf. Note that this change is applied only toward the outside. For an artist it is important to differentiate oneself from other artists while building an identifiable, outward appearance. It can safely be assumed that if Wall had constantly changed the style, size, technique, subject matter, and concept of his work during the first five or even two years, he would have never had the recognition he received. Gursky and Wall both held on to the format that made them stand out.

Change does not automatically mean innovation, though. It can be a deliberate non-innovation, like Academism, or even a step backward, like Appropriationism. What is important is the notable change of direction compared to either contemporaries or forebears, as seen in the above example. Innovation as a term also needs to be defined particularly in relation to its use in economics. What is called innovation in common language and in art historical writing is called "invention" in economics. Invention there means coming up with something new. Innovation in economics is an invention that

¹⁶⁴ *Singapore Stock Exchange*, 1997. Chromogenic print, face-mounted to acrylic, edition 6/6, image: 52 x 92 3/4 inches (132.1 x 235.6 cm). Guggenheim Museum, New York

causes a change in the product or product category, or even in the industry to happen. Innovation is an invention that causes change. It is defined as an invention that has been applied by other people and triggered a substantial change in the field. It can be a technical invention coming from the outside or a stylistic or conceptual invention coming from the artist. This establishes a ranking that makes it possible to classify works as less innovative, innovative or actually seminal with tendencies of being evolutionary or revolutionary. Using art historic examples from the past and present, one can establish a reference scale for direct comparison between works. For example, the conceptual innovation of perspective would be a major change. The same goes for the more technical invention of photography, which then resulted in conceptual innovation. Divisionism and Pointillism were certainly important stylistic and technical inventions, but did not bring about an innovation as revolutionary as Impressionism. In the evaluation of these inventions and innovations, it is imperative to keep in mind the bigger historic picture with huge order-of-magnitude changes like abstract art and smaller yet important changes like the use of light as sculpture in Dan Flavin's work. The degree of innovation can be determined by the quantity, the quality and the duration of influence it has had. The more valuable invention is that which triggers an innovation that lasts longer and reaches further and deeper.¹⁶⁵

Consequently, change for the sake of change usually will not have a long-lasting impact. The change needs to be deliberate and have a reason. It needs to be detectable

¹⁶⁵ On the economic side there is even a Global Innovation Index that ranks nations by how innovative they are. It is published yearly by *Industryweek*.

and have a goal. If somebody started to paint with liquid titanium on Kevlar just because this has never been done, it would be rather pointless. Nonetheless, the technical *tour de force* would virtually guarantee a place in art history and the high-tech appeal will certainly get attention in the market.¹⁶⁶ However, if those paintings were vanitas still-lives of plastic bottles and tin cans to address the issue of consumption, wastefulness and perishability in a technique that will last forever, it would make sense, create a hitherto unseen look of painting, and ironically do away with problems of conservation.¹⁶⁷ It would fulfill all conditions for significant change because it would offer new points of meaning and connectivity to art while still being in line with previous technical innovations like artificial pigments. It would also use the Anchor Phenomenon to its benefit since Vanitas paintings are an age-old genre. Goethe's three question definition of what is good art comes to mind here: 1. What was the artist trying to achieve? 2. Did the artist achieve it? 3. Was it worth trying?

Thus it is clear that Change is the driving force behind artistic creation, analysis of art and consumption of art.

¹⁶⁶ Titanium is highly flammable and has a tendency to explode when heated. So molten Titanium would be exceedingly difficult to handle. Kevlar would be the only even remotely thinkable textile support as it is used in fire resistant materials like Nomex. Titanium's melting point is 1668 centigrade. Nomex does not melt but will decompose at temperatures above 350 centigrade. Brief, an almost impossible tour de force.

¹⁶⁷ For a discussion of aesthetics and preservation issues see P.H. Karlen, "Aesthetic Quality and Art Preservation," *Journal of Aesthetics and Art Criticism* 41, no. 3 (1983).

III.3 CONNECTIVITY

No matter which definition of art one believes in, and applies it to art and its value, the basic definition that can be generally agreed upon is that art is a human activity or the product of a human activity with the intention and result of stimulating us emotionally and intellectually through the senses i.e., aesthetically and in a creative way, often transcending other means of passing on human experience.¹⁶⁸

In terms of evaluation, this means on a comparative level, the work that stimulates the heart and mind of more people, more intensely and over a longer time as well as throughout a greater geographic and/or cultural area, can be viewed as ranking higher on the value scale. The factors are intensity, universality, complexity and durability. This can be easily proven through research done with music. When listening to music, certain music causes certain reactions that can be followed on an EEG. Light impulses, by the way, can also trigger a change in brainwave patterns, which makes it plausible that visual art would do the same thing.¹⁶⁹ The most constant and universal effect has been shown to happen with certain classical music—Bach in particular and rather primitive music such as drum beats. Actually, a study done by an Italian researcher on reactions to the Doryphoros sculpture can be cited.¹⁷⁰ Individuals without knowledge of art were shown

¹⁶⁸ Definitions as they appear in the Dictionary of Art and Encyclopedia Britannica entries on “Art”.

¹⁶⁹ In January 2010 an exhibit entitled “Beauty and the Brain: A Neural Approach to Aesthetics” used visitors in a Johns Hopkins University Study on the question of why humans are attracted to artwork conducted by Prof. Ed Connor.

<http://online.wsj.com/article/SB10001424052748703699204575017050699693576.html>

¹⁷⁰ Cinzia Di Dio at the University of Parma, Italy, 2007 <http://www.livescience.com/7389-sense-beauty-partly-innate-study-suggests.html>

photographs of the Greco-Roman Spearbearer. One of the photos showed the original proportions that followed the Golden Section and the other two had slightly but visibly distorted proportions. The brains of the subjects reacted much stronger to the original that followed the famous 1:1.618 rule. Moreover, British researchers from the University of Exeter have shown that the sense of beauty is at least partly innate.¹⁷¹

It is almost difficult not to be moved by a Bach composition or a Titian painting. Take the following scenes as examples. In the Paris subway tunnels a melody by Bach is played on an instrument that did not even exist at the time the piece was composed. Many people will stop, stand and listen. In an exhibition or museum space, people will invariably look at certain pieces longer than at others, where they will hardly stop. As far as I know, no research has been done on that but it should be fairly easy to do using the tapes from the surveillance cameras. What is clear though is that these works were outstanding at the time of their creation and they still provide us with a very high measure of Connectivity today. The same can be said if we look at Mayan art or African masks. Although some were not even intended as art, they have the same or similar effect, even on people from other cultures and time based purely on aesthetic criteria. Thereby, I mean that the rainforest tribe member probably would have no idea of the cultural context and importance of a Bach fugue in our culture, but still be moved by it. The same is true for a contemporary westerner looking at a 150-year-old African mask. That is no doubt one of the reasons why the masks are now exhibited in art museums as well as in

¹⁷¹ Dr. Alan Slater, University of Exeter, 2004

ethnographical collections both in the countries of their creation and in countries that have always belonged to different cultures.

Connectivity is the key to experiencing any impulse. If there is nothing that allows us to connect with the work, we might not even recognize it as a work of art or even make note of its existence, cf., Change. Hence a work that provides more access points (quantity), at more levels (complexity) and with greater universality, intensity and duration will fulfill the conditions of providing emotional and intellectual stimulation to more people, more intensely and over a great extension of time and space. This is quite similar to Kandinsky's theory that a good work will express what is essential to the artist, essential to its time and essential to all human beings.¹⁷² Perhaps Kandinsky was inspired by Goethe, although he does not say so, because Goethe also says: "All of us seek answers to the three big questions in life: What is the story of all mankind? What is the story of my time? And what story is mine alone?" Connectivity allows us to explore these points. It provides the connection between what is in the work and the outside world.

As a consequence, we can say that the more points and levels of access are offered, the higher the chances are that a work will be not only discovered because one literally "gets hooked" by the connectivity, but also that it will provide the stimulation that makes a preoccupation with it so rewarding.¹⁷³

¹⁷² Kandinsky, Vasily. *About the Spiritual in Art*. 1912

¹⁷³ Cf. Dickie

Connectivity, even more than Change, can express itself through countless outlets because it is a function of perception and experience. Therefore, it might rarely be totally objective (cf. Greenberg on objectivity), but nonetheless there will be common denominators and comparable tendencies spread out over a certain spectrum for any art work. Somebody viewing Géricault's *Raft of the Medusa* (1818/19, Louvre) will most likely not think "Aw, that's so cute!"

Access points that offer Connectivity can be formal (color, line, form, composition, material) and aesthetic (how form is used). Perhaps the differentiation between purely formal and aesthetic is pointless but we shall explore that later as it is related to subject matter or narrative and to the story of the work, or to how the work was made or received.

Of all possible connections or entry points to the reception of a work, I contend that the aesthetic factor is the most essential and thus the most important. This is based on the simple fact that in order to even perceive and process the work, it has to enter our mind. Visual art does this *visually* through our senses, thus literally, aesthetically. If we cannot experience a work of visual art through our senses, we cannot appreciate it fully. We maybe able to marvel at the artistic idea and concept without an object when reading about it, but we won't be able have our senses transmit an impulse (Change) that our brain can then process (Connectivity). The information from the work must enter the viewer's mind and it can only do so through the senses. Even if we permit the idea that a work has to be created only in the artist's mind, the idea of the work still has to be

communicated. The aesthetic experience is the condition-sine-qua-non for an evaluative encounter with visual art.¹⁷⁴ Even our thinking and language are largely informed through sight and other aesthetic experiences. As a result, the most important quality a work has is its aesthetic quality. It is the aesthetic quality that must match and convey the works meaning or concept. This is its principal function, even if I am inclined to agree with Hilton Kramer¹⁷⁵ who says that the truly great work will be revealed if it is still appealing even though it has been emptied of all meaning and stands on aesthetic ground alone.

Discourse and interpretation will add to its identity, meaning and effect, thereby increasing the value. Nonetheless the work itself has to stand its own ground over time on the merits of its aesthetic quality in the face of each viewer each time. Although some scholars might prefer to read about a work rather than to look at it and then think about it, I contend this would be tantamount to preferring pornography to actually being with a partner. Not only does this method not provide any first hand experience but it undermines your authority because of the lack of first hand experience. Moreover, a work can, and usually does, have a very different effect in the original and in the reproduction, particularly if the reproduction is not to scale. Content and meaning of the work are communicated by how it looks and thus perceived aesthetically through the senses. While

¹⁷⁴ While this would lead to far and is not directly relevant to the dissertation this begs the question how individuals who are born blind experience visual art. This may at first seem non-sensical but it is a serious matter in art education and cognitive psychology. It may well have consequences on a philosophical discussion about the value of art. See Y. Eriksson, *Tactile pictures: Pictorial representations for the Blind* (Goteborg, Sweden: Goteborg University Press, 1998).

¹⁷⁵ Hilton Kramer, *The Triumph of Modernism: The Art World, 1985 - 2005* (Chicago: Ivan R. Dee, 2006); *ibid.*

the issues of taste and cultural context cannot and should not be totally neglected, they remain secondary, as does the issue of beauty. Even after Duchamp who, it is good to recall, always made or presented objects that can be perceived through our senses even though he championed the idea that art was principally created in the mind, the way an idea is materialized still counts. If there is just an idea, the idea itself might be art, but it is not related to aesthetic experience. There is no artifact which could be presented to the artworld. The idea can still be communicated but would then be more in the realm of poetry or philosophy instead of in the realm of visual art. It does not matter whether one agrees with Kant, Fry, Collingwood or Greenberg. Without the aesthetic experience there is no visual art and the aesthetic experience is the primary factor of Connectivity and the primary cause for value.

Another factor contributing to the importance of Connectivity is that the more Connectivity a work offers, the more it will be endowed with meaning from the outside. This increases the Connectivity both in width and depth. In addition, the accrument of meaning can lead to an augmentation of aura (cf. Walter Benjamin) which then makes the work more valuable because value is defined as what the world makes of the work. With all these factors related to discourse and context, as well as media representation and topical relevance, there is apparently a non-aesthetic preliminary condition for the process which is the push-pull effect between a potential for stimulation through the senses and a desire for such stimulation in the viewer. This effect suggests that creating and evaluating art may well be the most uniquely human activity, indeed the activity that

separates humans from animals. Animals have memory, a conscience, a personality, a social order, systems of communication (though no human speech apparatus), tool building capacity etc. What they do not have (or at least it has not been proven that they do possess this quality) is the ability to create and evaluate art consciously. Humans, however, seem to absolutely need to create and view art or at least visual representations of the world they live in, what Kandinsky calls “inner necessity”.¹⁷⁶

This desire for stimulation is essentially rooted in each individual but Connectivity also works on the collective. The more Connectivity a work possesses, the more people will consider it to the point where a work becomes famous or even engrained in culture. However, one should concede that this has a snowball effect, that I call the “Avalanche Principle”. All those Connectivity points were probably not all there from the beginning. Imagine an avalanche that carries debris like rock and fir trees. The more debris it carries the more surface area it gets and the more matter it will take down. At the end, a work that had five connection points originally might have more than a hundred. The summit of this development will be a work considered as “iconic” such as Warhol’s *Marilyn* portraits or Leonardo’s *Mona Lisa*.

Taste and beauty are crucial to the development of Connectivity, if secondary to evaluation. Taste is acquired and changes according to fashion and socio-economic

¹⁷⁶ Kandinsky. *Spiritual in the Art*.

context. While several studies show that the sense for beauty is at least partly innate¹⁷⁷, we also know that our concept of what is beautiful changes. This means that the ability of a work to connect with people of a certain time, culture and region might change over time. Some connections may be lost in that change but others may be gained. Only the most outstanding works will be able to stand the test of time and space. Perhaps those works that have the best chance of becoming icons are those that are connected to historical events, persons or popular culture because they are, as it were, anchored in a reference stratum that cannot easily be eroded. Examples might be the above *Marilyn* and *Mona Lisa* paintings, but also Michael Angelo's *David*, which is anchored in Greek sculpture and in Christian history, or Jeff Koons' porcelain figure of *Michael Jackson and Bubbles*, which is anchored in popular culture and Baroque art. The latter also takes on taste and beauty as a theme which is a not so subtle but an effective means of anchoring itself in the discussion of taste and beauty without having a final verdict being pronounced too soon. This way the work has time to penetrate existing culture and create new standards or at least roots of its own. In this sense the Anchor Phenomenon introduced in the part on Change is equally relevant when it comes to Connectivity. The work must be different enough to stand out but must be connected enough to be firmly grounded, i.e., not swept away by changes in taste and beauty concepts. The more connection points it has to anchor it the better.

¹⁷⁷ The field of neurobiology has actually developed a sub-field called *neuraesthetics*, a term coined by University of London Neurobiology Professor Scour Zeki. This field is preoccupied with finding out for example what makes a painting or a tune pleasurable and whether the sense of beauty, form and proportion is hardwired rather than cultural. Initial results show that it is at least partly hardwired. Cf. Zeki, Scour. *Art and The Brain*. 1999. This line of research goes as far back as 1966 when Richard Gregory published *Eye and Brain*.

Also related to Change is the Connectivity that leads to recognizability for a body of work. The style and resulting originality of an artist's work have always been important for the art historical discussion to the point of having been denied any importance during some post-modern moments, e.g. in the discussion of Appropriationism. In the market, recognizability might even be more important and was never denied as a factor. Ironically, the high recognizability of images appropriated by artists like Sherrie Levine and Richard Prince made it easier for these works to seize the attention of buyers. Obviously, the attention is caught by a change in context for the urinal is not originally known to be a work by Levine and the Marlboro Man is not known to be an artwork at all. This is thus a good example of the connection between the Change and Connectivity criteria.

In the market sense, stylistic recognizability is the brand of the artist. Given that art is a status symbol and that signatures are rare on the face of modern and contemporary works — besides the fact that a signature is not as immediately obvious as a reddish square hovering over a blue or brown background (Rothko) — it is important that an individual work be recognized at first glance either by subject matter, style or technique as belonging to a certain artist's body of work. The term signature style has a literal meaning in contemporary art where there is often no signature to be found on the front of the work. The work should ideally identify its maker through itself. Since techniques are quite limited, subject matters vary and are shared, stylistic features are the foremost

distinctive criterion. Within the case studies used here, there are two or perhaps three groups of artists solving this problem with different solutions.

For the first group one can immediately recognize the works because there are stylistic or technical elements in them that never really change throughout the course of the oeuvre. In this group we have François Morellet, Pipilotti Rist and Andreas Gursky. Morellet is always very geometric, uses little or no color and often uses a grid and neon lights. Even though similar traits can be observed looking at Sol LeWitt, the two can hardly be mistaken for one another. Rist changes subject matter wildly but the inclusion of real world props or of her own image and the way she installs monitors or projection devices in a space are very typical of her work only. It is clearly different in these formal regards from works by Nam-June Paik, Bill Viola or even those of her closer contemporary Stan Douglas.¹⁷⁸ Gursky changes subject matter but almost always uses a wide-angle lens on a large format camera¹⁷⁹ and his photographs usually depict the minute structure and unorganized detail within a bigger very structured space. This method could be called the “counterpoint technique” of photography.¹⁸⁰ His photos are also printed and framed in a way that has since found many followers. Until about 2005 photography in this size and with the Diasac¹⁸¹ framing was done mostly by a handful of photographers who are actually from the same school as Gursky and have made this

¹⁷⁸ Douglas is born in 1960, Rist in 1962.

¹⁷⁹ A 5x7 inch large-format Linhof. See Wallpaper Magazine, Issue 97, March 2007.

¹⁸⁰ This technique is particularly visible in his diptych *99 Cents II* from 1999. Incidentally, this is also the work that has set a price record for the artist when it sold in 2007 at Sotheby's for USD 3,370,000. It was then famous for being the most expensive photograph in the world until the new record was set by Cindy Sherman's *Untitled#96* (1981). That photograph sold for USD 3,890,500 in May of 2011 at Christie's.

¹⁸¹ contributors Wikipedia, "Diasac," *Wikipedia* (2011), <http://en.wikipedia.org/w/index.php?title=Diasac&oldid=429772083>.

technique their common trait. This brings up a second point: Belonging to a school or group of artists is an advantage because it increases Connectivity, rooting and distribution. An –ism, a school or a group usually have recognizable features that define them as an entity and differentiate them from other entities. Herein lies both Change, because there is a deliberate difference, and Connectivity, because these features allow an identification. Together they form the value explanation of the works Unique Selling Proposition (cf. Chapter 2).

The second group includes Richter and Koons. Both artists change style, technique and medium frequently and work in several of them at the same time. Although it must be said that Koons also works with a team of 150 people and buys the know-how and fabrication power he needs to manufacture his pieces. This obviously makes it much easier to change the technique and the medium. Both artists even re-use the same subject matter. This makes it difficult to say whether a painting by Richter is from the late 1960s or the late 1980s for example. Koons works in a more serial fashion where one group of work follows another one that is clearly distinct. From a marketing point of view, this makes sense because it makes his work easier to categorize both for the buyer and for the art historian. Richter, on the other hand, likes to do what the French would call “brouiller les pistes”, i.e. not being able to be traced or all too easily deciphered by putting out false traces and hiding the real ones. This goes against the common practice of working in subsequent series like Koons does, yet he sublimates this strategy to actually become his trademark and one of his characteristic features. What both artists have in common is that

each of their work series is big enough to form a coherent ensemble where stylistic, technical and conceptual features can be distinguished. Nobody else does blurred photo-realism like Richter and nobody else does abstract, raked-and-cut paint over photographs like him. His grey monochromes are so simple that anyone else trying to do a grey monochrome would be unoriginal. It almost seems like a color niche that Richter carved out in the monochrome market.¹⁸² The same concept is true for Koons's shiny metal balloon sculptures or his plant puppies. They have the status and function of brands. Both artists display a great measure of inventiveness technically and stylistically. And this inventiveness is rewarded in terms of evaluation by art historians and by the market.

There might be a third group, in the discussion of recognizability and branding as elements of the Connectivity criterion, consisting of Julian Schnabel and Sophie Calle. Calle's work is less object-based and if she uses objects, they will be quotidian objects that are not fabricated by the artist, though the aura of the object is often fabricated or enhanced by the artist putting it in a particular narrative or context. Logically, the aesthetic quality of the object itself is not created by the artist and is not in the foreground of her endeavor. Hence the way she integrates objects with a story - often presented in accompanying text documents and based on human interaction and experience - is what sets her apart. Still, her work is not as easily recognizable as that of Gursky, for instance, because there is a deliberate emphasis of the conceptual and experimental, ever-changing

¹⁸² To my knowledge there are no grey painting by Joseph Marioni, Gotthard Graubner or Paul Ragueneas, all of whom work mostly with monochromes.

by definition, over the aesthetic. Her work is more of an intellectual experience for the viewer than an aesthetic one. It does not strike the viewer with form, color and composition but it interrogates the viewer on the meaning inherent to the objects on display. The objects in her work are witnesses or mnemonic devices for a human experience, but they do not stand on their own and often enough they are unable to tell the story without the accompanying text. The composition happens in the brain not on the canvas. They are so-called relational works of art.¹⁸³ In a way this hampers Connectivity especially in a world where we are used to consuming even art very quickly through visual impulses and where the attention span for text or even just the time we can spend on reading text is significantly reduced. A general tendency where the visual information (including moving images and sound) supersedes the written information is clearly characteristic of our times. This might be one of the reasons why her works are among the least expensive in this group of artists while the fame and attention she is getting can compare.¹⁸⁴

Schnabel is a case apart. His plate paintings have extremely high recognizability for example. They connect through their shock value. They are clearly beyond the discussion of beauty and taste of even Koons. They defy these notions. The rest of his paintings usually have a rough style and technique with a combination of layered, abstract, washes and swirls of color backgrounds and often text or a figure in the foreground. Sense of

¹⁸³ Nicolas Bourriaud, *Relational Aesthetics* (Paris: Les Presses du Reel, 1998).

¹⁸⁴ Calle has been ranking among the Top 100 living artists in the *Kunstkompass* for the past five years. However, Rist, also ranked for the past five years but ten years Calle's junior, has consistently ranked higher. The relation is the same for prices where Rist tops Calle.

space is mostly absent. Unfortunately, for the non-connoisseur the recognition value is not very high because the basic reaction will be the question whether this painter actually knows how to paint or whether he is just having fun. If his works from the 2007 series *Christ's Last Day*, shown and sold at Gagosian in 2008, are indeed painted by his own hand, the question can be dismissed.¹⁸⁵ In addition, Schnabel also sculpts and makes remarkable films, which some critics say are better than his paintings. Where his paintings present a haphazard array of disparate elements, his films, e.g. *The Diving Bell and the Butterfly* from 2007, are picture perfect examples of Aristotelian unity of time, space and action. Schnabel is a case of a painter who left a mark in art history as part of a group or period in history and has thus found an anchor point. However, he was not able to parlay this success into a lasting influence in the domain of painting. His painting was not innovative enough in the sense that it did not induce a lasting change in the industry. Consequently he branched out to sculpture and, very successfully, to filmmaking.

After all, Connectivity seems difficult to put one's finger on. Yet in reality one could even try to measure it quantitatively by counting how many people are exposed to the work, how many of them react and how many reactions are either lasting or cause a change. Even the different kinds of reactions or interpretations of a work could be counted and seen as an expression of complexity or depth of connection points the work offers. In addition, it would be possible to measure the complexity or level of a reaction as a qualitative measurement by looking at the depth of responses to the work, if we

¹⁸⁵ The series shows highly enlarged X-ray images of the human anatomy. The verisimilitude to X-rays is perfect. The technique is specified as "ink on polyester" and the works are called "paintings" as opposed to prints. <http://www.gagosian.com/exhibitions/beverly-hills-2008-02-julian-schnabel/#/images/13/>

presume that a more complex work will normally trigger a more complex reaction. Are there short articles or entire books written about the work and where are they published and by whom? Is the work included in group exhibits as a central piece or at the periphery or does it even get solo shows like Seurat's 1884 *Après-midi sur l'Île de la Grande Jatte*?¹⁸⁶ Of course, the amount of work required to do so would be extraordinary, but luckily there are rankings like those of the *Kunstkompass* and *artfacts.net* that measure the attention an artist receives in the art world. These can serve as a basis for evaluation since the attention an artist receives is related directly to the attention the artist's works receive, even for Koons who likes to show off his own persona. Finally, it would not be necessary to establish an all-inclusive ranking of contemporary artists, but only to use the method outlined above regarding the measurement of Connectivity when an evaluation is required in direct comparison to perhaps a handful of other artists or works.

At last, Connectivity might be the single-most important criterion in determining a work's chance at success and at long-term survival in art history and in the market.

¹⁸⁶ The Art Institute of Chicago mounted a highly interesting exhibition entitled *Seurat and the Making of La Grande Jatte* in 2004 to show off this masterpiece of their collection.

III.4 CONTEXT (TIME, SPACE, PEOPLE)

The term Context is not to be understood as the deconstructionist or relativist “supercloak” that renders any search for even remotely universal or objective criteria invain by default and too often serves as an excuse for a failure to provide unambiguous yet valid answers. Context instead refers to the concrete time, space and people that can be linked directly to the work. It is the historical dimension. Naturally, this includes the cultural environment in which a work is created and consumed. It does not preempt other considerations of evaluation, nor does it forfeit the idea that within the aforementioned rather hermetic art world with its four poles, a consensus or preferred argument is not only possible but actually necessary for the success of an art work or artist.

We have seen with many Latin-American artists—not to speak of African artists—that it matters to be at the right place at the right time, and that who represents and collects an artist’s work is essential to decide between letdown and triumph, just as much as who writes about it where. Vik Muniz and Romuald Hazoumé are good examples of this. I cite these artists specifically because they are not per se originary from the places with the highest chance of discovery and because among them Vik Muniz coming from Sao Paolo, Brazil has a higher chance of being discovered than Hazoumé coming from Benin, Africa. Further they have almost the same age (born 1961 and 1962 respectively) which makes the comparison of their career progression easier. Vik Muniz lives in New York now, whereas Hazoumé as of 2007 lived in his birth town of Cotonou in Benin. Although he even has enjoyed inclusion in the documenta 12 of 2007, his career and

prices are not at the same level as those of Muniz who could even make it several times into the Top 100 in the *Kunstkompass* and in the auction records since 2006.¹⁸⁷

Just as there is an established, if unofficial, hierarchy of art publications and writers, there is an established hierarchy of influential museums, galleries and collectors. None of these hierarchies are really disputed and in fact, they help to discern between good and better in that they are generally accepted to be the makers and the guardian of the standard. This decision-making order of institutions is rather old going back at least to Vasari and the Medici and thus its authority is written in stone, as it were, for a working monopolistic system has no interest in abolishing itself. However, the hierarchy of artists determined through this system is seen by many to be nonsense or at least immoral due to too frequent and deep conflicts of interest. What critics of the system do not see is that the system is almost entirely self-referential and self-governing. Whether it is an aristocracy, meritocracy, oligarchy or tyranny is another question and thus, any attempt to break the system or install a parallel system is vain. It is questionable whether another system would provide a better definition of our culture for posterity or just another one that would be different but just as absolute in its arbitrariness. Unfortunately, the price to be paid if an artist does not want to be part of this system is practically oblivion, even though “Outsider Art” has already been integrated into a convenient market niche by the system itself.

¹⁸⁷ See Artprice.com *Art Market Trends* and *Kunstkompass* publications.

In a historical perspective, for the last one hundred years, the dominant space for the creation and marketing of art, henceforth called the “main zone”, was clearly the United States and Europe and, naturally, claims of or against cultural superiority, euro-centricity and even cultural imperialism are justifiable and the system’s decisions must be looked at critically with this in mind. Yet things evolve. As globalization progresses and art fairs spawn around the globe, information and taste also spread. On its way information is both enriched and streamlined. Some things are added, others will be lost in translation, quite literally. Taste, by the same token, is diversified and unified at the same time. Right now, we witness a very serious attention in scholarship and in the market to art from China, India, Russia (countries opening up to the Euro-American main zone at the same time that the main zone opens up to them) and to African contemporary art. There are two reasons for this; a politically correct one and an economical one. The nicely politically correct reason is that the main-zone has finally recognized that their artistic production is not the only one that is culturally valuable. The economic one is that the main-zone did not fail to see that at the current rate of supply, their own artistic production could not fulfill their own demand; therefore import of art becomes necessary. But as the main zone shifts from Europe and the USA to Asia, export of art becomes an option that is just as attractive as import. An additional reason is that the need for Change and for “New” also seems to be higher than ever and that, with information about other cultures being more easily available and widespread, it is now rather easy to connect to work from other cultures and with different aesthetic concepts, contents or meanings. This is certainly useful for education and diversification of taste, but there is a latent threat of cultural

colonization and of a canonization of taste that becomes global. Thus almost the same effect as when American culture invaded Europe, except that this time it is universal and not unilateral. All the while, it is patent how particularly Chinese artists are apt at honing their aesthetic to build a comfortable bridge for the Western eye. They use traditional Western techniques and color palettes and even the subject matter is often westernized or spoofed cultural topoi of the United States and Europe, as in the *Joe Camel* series of Chinese painter Zhou Tiehai, the Chinese Koons, are used.¹⁸⁸ Conversely, African artists keep their aesthetics and production methods but tailor the content of works to issues that the Western world can relate to and that are associated with Africa in the minds of many while being universal enough to be significant to everyone (immigration, war, poverty, pollution) like Romuald Hazoumé's striking work *Dream* presented at the documenta 12 in 2007.

The *documenta* shows of 2002 and 2007, the Venice Biennials of 2007 and 2009, and the success of the *Shang'art* fair are further evidence of this tendency of globalization. Ironically, there is also a reverse globalization namely in the fact that citizens from those very countries whose cultures we are about to exploit, are now massively buying the nicest pieces of European and American art, seemingly not without gloating; as can be seen in the 2008 purchase of Freud and Bacon paintings by Russian magnate Roman Abramovich at Christie's in London. China has surpassed France as an art market in

¹⁸⁸ Particularly striking in this regard is the example of Zhou's painting *Jeff Koons or Jeff in a Position of AOLAM* (2006), Oil on canvas. It shoes the Joe Camel character as Jeff Koons in a remake of one of Koons' own *Made in Heaven* series paintings. Given that Zhou has otherwise also copied Ingres' *Odalisque*, this is certainly a compliment for Koons.

2010.¹⁸⁹ There are some 50 top buyers of contemporary art in the world with major collections having been built over the last decade or two in Europe and the USA.¹⁹⁰ And there is about the same number of top critics and dealers or galleries. It is easy to understand that ever since the jet age, the mobility of this elite is practically unlimited and that their reach is global. Thus the importance of People in the Time, Space, People subcategories increases even more.

On the smaller scale of this dissertation, concentrated on art from the last thirty to forty years in the United States and Europe, it is striking to see that all the artists chosen as case studies are either from or have made their career in a major cultural capital; be it New York, Paris, Berlin or the small, but artistically significant Düsseldorf.¹⁹¹ Analyzing the *Kunstkompass* and *artfacts* rankings, one can see that the top 100 artists are represented by a few major galleries and that those galleries have branches in those very same cities. This shows how artistic production (where artists live and work), artistic education (where the art schools are), distribution (where the media are located), scholarship and consumption are still concentrated in just a few places even nowadays. This concentration makes sense because it allows an increased productivity with fewer resources but also tighter control, i.e. the system renders itself as efficient as possible but only in a place where there are customers. This makes perfect sense from an economical

¹⁸⁹ See Art Market Trends 2010 published by www.artprice.com.

¹⁹⁰ According to a conversation with Dr. Véronique Chagnon-Burke, head of the Art History Program at Christie's, referring to comment made at a round table discussion with former Christie's CEO Ed Dolman, where he said that Christie's should concentrate on the Tier 1 of their clients (1500) and among them on the top forty to fifty. We can see the Winner-Take-All Phenomenon even with the auction houses client rankings.

¹⁹¹ Further speaking to the point economic agglomerations. The fact that these art centers are not yet evenly spread around the globe speaks volumes about the economic and social implications of art.

viewpoint for even if the decisive elite enjoy unlimited mobility they do not possess unlimited time. That is one of the reasons art fairs are so attractive. A lot of business can be done in a short time and at one single location. To be fair one must concede that the system is evolving and that change is happening, which is helpful art historically because it is the critical difference made by this change that allows us to analyze what was happening before the change.

We can, therefore, see how important it was, and still is, to be in the right spot at the right time and to be in favor with the right people during the period discussed here. In fact, Paula Aisemberg, historian/art historian, first working for the gallery Baudoin Lebon in Paris, then and now the director of the Maison Rouge in Paris, told me in an interview that the most important thing in the career of an artist is to have a good gallery. Her answer to the question what a good gallery is was just as poignant and short: “A good gallery is one that is regularly represented at Art Basel.”¹⁹²

Hence the Context criterion has a very real effect on the appreciation from scholars and success in the market. This is the easiest to measure and quantify of the three C.

III.5 CONCLUSION CHAPTER 3

It might seem as if this criterion rendered all other criteria useless, however, this is not the case. Even if we consider that Basel presents the cream of the crop chosen and vetted by a formidable and powerful network of people, not all that is presented at Art

¹⁹² Interview conducted in person, June 23rd, 2006 at La Maison Rouge, Paris.

Basel is good. Still, the amount of art with unusually high connectivity at the fair is higher than at most other fairs I have visited. Even more so at art fairs than any other place, decisions and selections are made in a condensed way and the factors that are most important are the three Cs: Change, Connectivity and Context.

Whether it is the artist, the scholar, the critic or the buyer, all make decisions that are largely based on these three criteria of evaluation. A work or an artist that fails completely in one of these areas will most likely never make it to the top and if so will not be able to stay there for long. The positive prove is true, too: All artists and works that are commonly regarded as excellent in terms of artistic and financial value will rank very high on each C-scale. If there was to be a scale of 0-100, then the artists and works in the top 10 percentile of the *Kunstkompass* and auction rankings would exhibit scores of 95 or higher in each of the 3C criteria.

There are evidently other criteria that are important to consider, although they will not change an evaluation based on the three Cs; those other criteria are circumstantial. I am thinking in particular of craftsmanship, affordability and availability. For instance, Robert Rauschenberg's cardboard sculptures are certainly not the pinnacle of sculptural craftsmanship. Yet, they are made by a very important artist and hold a place in his work and in the history of sculpture. In an art historical evaluation, they certainly outclass Hirst's diamond encrusted skull but for obvious reasons the skull would sell for more money; that is if the consortium of owners ever find a buyer for it.

Affordability and availability are certainly criteria that are more of a financial order than of an art historical one. Though, if we think of textbooks, scholarly material and other art publications that are responsible for the distribution of knowledge, resulting in an increase of attention and Connectivity, thus an increase of value, it still plays a role which images are available and which images the author/publisher can afford to print and to pay the rights for or which art historian the gallery can afford to write a catalog essay. In the end those things can be factored into one or more of the three Cs.

Conclusion

As already emphasized, by and large, the art historical evaluation and the market evaluation are if not completely congruent at least consistent. For example Xavier Greffe in his book on art and economics cites a study done by Frey and Pommerehne:

Owing to the multiplicity of factors, we may finally ask ourselves if the artistic value as determined by experts really plays a determining role. In a study carried out in the United States, Frey and Pommerehne observed that the difference between the artistic value determined by experts and the value that can be anticipated on the basis of the variables described above [Note: Variables as outlined in the Context Criterion.] is hardly more than 10 per cent, irrespective of the fact that the painter was studied during the period 1971-1983. If we compare these values to prices obtained in auctions, the relation between them is satisfactory. Buyers seem to be guided by the artistic judgment of critics or experts. As for the experts, they have a fairly wide understanding of the value of various artists based as much on their 'recognition' as on the intrinsic quality of their work.¹⁹³

As demonstrated in Chapters 1 and 2, the major criteria in decision making whether it comes to the theory of art or the theory of economics can be essentially expressed as the factors in the 3C Model: Change, Connectivity and Context. The root of any value of art - intrinsic or added a posteriori - is in the experience that art is able to give as per its defining quality of being art. The experience itself can also be analyzed by means of the 3C Model.

It remains a question regarding the ranking of the criteria. While the criteria are the same in essence for art history, art criticism and the market, each field may have a different ranking of importance. In my understanding and experience art history in the

¹⁹³ Greffe, *Arts and Artists*, 171.

sense of history, will put the Context criterion first because it treats the time, space and people around the work. The second will be Connectivity because it accounts for the content and style. A close third will be Change for it gives structure to the historical method. Art criticism or theory will be most concerned with Connectivity and Change, for therein lies the key to an evaluation of quality. The market finally, if we reduce the market to price and availability, will rank Context the highest because if a work is not offered for sale in the right market it will not sell at all. However, once the exterior conditions are met Connectivity and Change will be paramount to any decision about price because they define the utility and desirability of the object.

The limits of the 3C Model are in its judicious and responsible application. When making an evaluation thorough research and reflection are still necessary. Ideally a comparison matrix should be drawn similar to that of Bruce Vermazen, referenced by George Dickie in *Art and Value* when he talks about strong valuations: “If a pair of works have exactly the same valuable properties and the rank values of the valuable properties are of a certain sort, then a value comparison can be made of the pair of works.”¹⁹⁴ The 3C Model provides precisely that: a matrix of comparable valuable properties. This makes it possible to compare works that seem incomparable at the outset.

It goes without saying that the 3C Model will not end the discussion on what makes art valuable or how it is evaluated. It should nonetheless facilitate the analysis and assessment of the value of art, particularly in situations as with very recent art, where no historic, critical or price records are given.

¹⁹⁴ Dickie, *Art and Value*, 78-80.

I hope the dissertation succeeds in shining a light on how quality, value and price relate, and how value is created and assessed by the four poles (artist, media, market and scholars). I can see the 3C model working as a tool on different levels. It can be the basis for a scholarly discourse on the value of art and how to evaluate art. It can be an entry point for a class discussion or even provide material for an entire seminar on art and philosophy as well as on art and economics or even economics of art. To the collector or dealer it may be of guidance to find works that are not only valuable under economical and art historical viewpoints but that will also have a superior utility to the consumer by virtue of their intrinsic and externally attributed value and by the experience they provide.

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